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Section III

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY, APRIL 19, 1994

D8523A

## UK looks to US for likely buyers in British Coal sell-off

US mining groups may become owners of significant parts of the British coal industry if a UK government marketing drive in the US this week succeeds. A decade after the year-long strike by Britain's miners over planned pit closures, the government is hoping to attract US groups to buy parts of British Coal when it is privatised by early next year. Details of British Coal's privatisation are to be published this week. Government advisers believe US-based companies are the most likely among overseas groups to seek parts of British Coal, in spite of the sharp decline in demand for coal in the UK. So far only two foreign groups have expressed interest publicly. Both are North American. Page 7

**Ford and Mazda plan 'global' car** Ford Motor, which has just launched the North American version of its Mondeo "world car", is considering with Mazda of Japan a more far-reaching "global" car project. Page 15

**Europe-wide telecom contracts** A contract to provide a Europe-wide telecommunications network for 30 continental multinationals has been won by British Telecommunications and an alliance of AT&T and the Swiss, Swedish and Dutch state telecoms companies. Page 14

**BCCI liquidators fees questioned** The committee representing creditors of the collapsed Bank of Credit and Commerce International is refusing to approve \$28.7m (\$34.6m) in annual fees for the bank's liquidators, who are partners at the accountancy firm, Touche Ross. Page 14

**S Africa election unrest** Prospects for a peaceful election in South Africa appeared dim after the country's political leaders acknowledged the failure of a peace summit, and Inkatha leader Mangosuthu Buthe predicted further bloodshed. Page 6

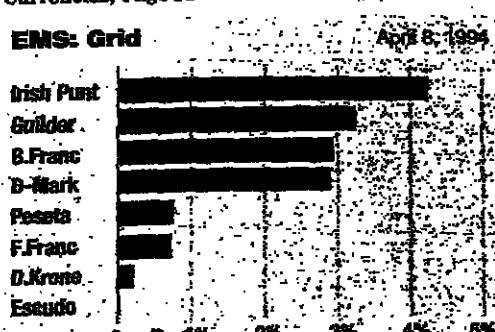
**Bossi spells out conditions** Italy's Northern League will help form a new Italian government, but only if its federal, free-market and anti-fascist values are respected, said party leader Umberto Bossi. Page 2

**Accounting changes expected** The UK's Accounting Standards Board is expected to recommend changes to the reporting of company profits from property leases, in the wake of heavy losses incurred by specialist retailer Pentos. Page 15; Lex, Page 14

**Rothschild Asset Management** raised less than half the original target for its International Biotechnology Trust with the placing of shares with institutions attracting only up to \$40m (\$58.4). Page 15

**Pakistan and US deny deadlock** Pakistan and the US ended talks without progress on Washington's proposal to supply up to 38 F-16 aircraft in return for a cap on Islamabad's alleged nuclear weapons programme, but both sides played down any suggestion of a deadlock. Page 4

**European Monetary System** The Irish punt returned to the top of the EMS grid last week, helped by the recovery of sterling. The Portuguese escudo stayed at the bottom, but was stronger after government efforts to stabilise the currency. The Spanish peseta, closely tied to the escudo, rose in sympathy to finish above the French franc. Currencies, Page 31



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilders which move in a 2.25 per cent band.

**Lancaster Boss Group**, one of the UK's biggest privately-owned manufacturing companies and the last big UK-owned producer of lift trucks, called in receivers to its UK trading operations over the weekend. Page 7

**Israeli bank executives sentenced** Three former Israeli bank executives were sentenced by a Jerusalem court to jail over a 1983 share-manipulation scandal that forced the government to spend \$8bn buying bank stock to to stave off mass bankruptcies.

**WHO urges Aids vaccine research** Drugs companies should concentrate on developing a vaccine for Aids rather than focus on treatments for the disease, the World Health Organisation said. Page 4

**Bombay Stock Exchange**, Asia's oldest bourse, plans to computerise trading in most of its shares from October 1 in an effort to bring transparency to the market, according to its newly elected president, Bhagrat Merchant.

**Egyptian fundamentalists jailed** An Egyptian court sentenced two academics and the editor of a defunct fundamentalist newspaper to six months' jail for libel of the Grand Mufti, the country's highest authority on religious law.

# Nato air strike halts Serb attack

By Edward Mortimer and Laura Silber in Sarajevo and George Graham in Washington

Nato aircraft last night attacked the Serb forces advancing on the Muslim enclave of Gorazde, the first time it has acted on its long-standing threat to use air power to protect Bosnian towns designated as United Nations safe havens.

The bombing raid by two F-16 fighters, which came without warning, marks a sharp toughening of Nato's position after a day in which the Serb attack on Gorazde intensified, causing widespread panic, forcing hundreds of refugees to flee from the town's southern outskirts.

By nightfall the raid seemed to have succeeded in its aim of halting the Serb advance. Officials at

Nato headquarters in Brussels said the operation brought an immediate halt to Serbian artillery fire. "The shelling has stopped following the strike and there is very little small arms fire," one official said.

However the Nato action raises the possibility of a dispute with Russia, where the Serb cause is strongly supported. Russia has long cautioned against Nato air strikes to protect the UN safe havens.

According to the Yugoslav news agency, the Serb army's Herzegovina Corps warned: "By this act, Nato carried out a clear act of aggression against Serb people striking at civilian targets far from the front line."

A UN spokesman said at least two Serb tanks had been hit in the operation that was reported

Countdown to Gorazde bombing raid

- Sunday morning: Gen Sir Michael Rose, UN Commander in Bosnia, abandoned trip to Brussels when told of renewed Serb attack on Gorazde, telling reporters air strikes were possible.
- US Secretary of State Warren Christopher, on NBC's Meet The Press, later said: "If Gen Rose asks for air support from Nato... we have adequate authority."
- Sunday afternoon: Serb forces overrun hill close to the centre of Gorazde.
- Late afternoon: Charles Redman, senior US negotiator, warned Serbs would "have to be dealt with."
- Early evening: Two US F-16s attack Serb targets at 16.22 GMT.

in Washington to involve two US F-16 aircraft, based at Aviano in Italy. The Serbs responded with anti-aircraft fire.

The NATO aircraft acted on the recommendation of UN commander General Sir Michael

Rose, who has struggled unsuccessfully in recent days to bring a ceasefire in Gorazde in preparation for a longer-term truce in the town, home to 65,000 Moslems and one of three so-called safe havens in eastern Bosnia.

Mr Kris Janowski, a spokesman for the United Nations High Commission for Refugees, said shortly before the air attack that thousands of desperate villagers were pouring into Gorazde amid a heavy artillery barrage. "People can see villages around Gorazde burning and there is constant fire from howitzers in and around the centre," he said.

Western governments have cited UN Security Council resolutions 824 and 836, approved last summer, in justification of their use of air power.

These resolutions established safe areas, including Sarajevo and Gorazde, and provided for "air support" for the protection of UN forces.

In Zagreb, UN spokesman General Roy Bates said a tank and a Serbian command post had



been targeted by the Nato aircraft. "Two American F-16s went

Continued on Page 14  
Nato strikes leave peace in balance, Page 3

## Israel set to extend closure of West Bank and Gaza

By Julian Ozzane in Jerusalem

Israel prepared for a prolonged closure of the occupied West Bank and Gaza Strip yesterday, in spite of warnings from Israeli ministers that it would impoverish Palestinians, harm Israeli-Palestinian peace talks and fuel violence in the territories.

The cabinet agreed to grant new work permits for 18,000 foreign workers to substitute for Palestinian labourers banned from crossing into Israel. The closure, to be reviewed by the cabinet next week, has serious implications on the already low standards of living of hundreds of thousands of Palestinians in the occupied West Bank and Gaza Strip who are dependent on income from jobs in Israel.

By increasing Israel's trend towards independence and separation from the territories, the measure may also have negative implications for the long-term prospects of the Palestinian economy and for Israeli-Palestinian peace talks, which resumed in Cairo yesterday.

Gen Matan Vilnai, army chief of the southern command, warned that the maintenance of a rigid closure policy, which has barred up to 70,000 Palestinians from travelling to their jobs in Israel, would also provoke an upsurge in violence in the West Bank and Gaza.

The territories were sealed on Thursday after Islamic guerrillas killed eight Israelis in revenge for the Hebron mosque massacre.

Cabinet ministers said the government was determined to maintain a lengthy closure to prevent Palestinians from making further attacks against Israelis.

Left-wing cabinet ministers warned that a long closure would impose tremendous suffering on the Palestinians and called for the immediate injection of increased aid into the territories to alleviate poverty.

Under yesterday's cabinet decision, work permits will be granted for 15,000 foreign construction workers, mainly from eastern Europe, and 3,000 agricultural workers, mainly from Thailand, for an initial six-month period, increasing Israel's foreign workforce to 37,000.

Palestinian leaders strongly condemned the closure, accusing Israel of collective punishment against Palestinians and of imposing acute suffering. Among those affected are 130 cancer patients in Gaza who are now unable to travel to Israel for treatment.

The cabinet move came hours before Israel and the PLO resumed Palestinian self-rule talks in Cairo amid increasing Palestinian frustration and signs that it is now almost impossible for the two sides to reach final agreement.

## Rwanda rebels march on Kigali



Rwanda rebels (above) were marching on the capital Kigali yesterday as troops from France, Belgium and the US rescued expatriates from the central African country, where thousands of people have been killed in tribal massacres.

French troops secured the airport on Saturday to evacuate some 600 French nationals. US Marines were sent to neighbouring Burundi to assist Americans fleeing overland. Meanwhile, Belgian troops arrived in Kigali last night. Report, Page 14

## Beijing to freeze vehicle ventures

By Tony Walker in Beijing

China will freeze numbers of vehicle assembly plants until 1996 under a new automotive policy to be announced soon, the official Business Weekly reported at the weekend.

The policy, sketchy details of which appeared, lays down local content rules and sets out a blueprint for the industry's development beyond the year 2000 and appears to close the door, for now, on foreign makers that do not already have ventures.

Foreign manufacturers assembling vehicles in China include Volkswagen of Germany, Citroen and Peugeot of France, Chrysler of the US, and Daihatsu, Suzuki and Fuji Heavy Industries of Japan.

Conspicuous by their absence are the larger Japanese manufacturers, including Toyota, Nissan, Honda and Mitsubishi. The Japanese were slow to respond to opportunities in China, preferring to rely on exports.

The moratorium on new plants is aimed at allowing local industry to consolidate after recent rapid changes, including the entry of foreign manufacturers.

Local-content rules laid down in the policy call for 40 per cent locally sourced parts for new ventures, rising to 60 per cent after three years, according to Business Weekly.

China produced 234,000 cars in 1993 and plans to increase output to 350,000 this year. Imports reached 310,000 units in 1993, but that almost certainly understates numbers of vehicles entering China by a wide margin, since smuggling is rife.

At 1 January there were 1.2m passenger cars in China, 70 per cent of which were imported. China reduced tariffs by 70 per cent from the beginning of the year to 150 per cent for larger cars and 110 per cent for smaller models.

Volkswagen is producing 100,000 sedans a year and has increased local content to 80 per cent. The Germans have plans to introduce new models to range more widely across the Chinese market.

China is home to about 120 vehicle manufacturers, but many are tiny, turning out as few as 10 vehicles per week. Such enterprises are struggling to survive in the new, more competitive era.

Restrictions on numbers of car assembly plants will not apply to components manufacturers, which are flooding into China in search of opportunities. Ford and General Motors are establishing components joint ventures in order to build a platform for entry to the China market once restrictions on new assembly plants are lifted.

## Japan's ruling coalition close to breaking up

By William Dawkins in Tokyo

Japan's seven-party coalition government was yesterday close to breaking up, as it failed to resolve a bitter power struggle over the successor to Prime Minister Morihiro Hosokawa.

The impasse, over the policies and composition of the next government, increases the likelihood of another general election. This would paralyse the government as trade disputes with the US approach a critical juncture and as it struggles to implement an economic stimulus package, needed to pull Japan out of its worst recession since the second world war.

Mr Hosokawa will stay on as a caretaker leader until a successor can be found. Coalition leaders did agree to try to form a new cabinet by mid-week, allowing the new prime minister to deliver a policy speech to parliament before the weekend. But a senior official of one party warned that any such administration would be transitional.

Mr Hosokawa's decision to quit, announced on Friday, unleashed a new struggle among Japanese political parties,

thrown into flux by last summer's defeat of the Liberal Democratic Party. It has intensified the growing split between the coalition's right and left wings.

Mr Tsutomu Hata, the conservative foreign minister, remained the most likely successor, with the apparent backing of Mr Hosokawa and three conservative parties, holding a majority within the coalition.

But left-wing coalition members voiced suspicion that Mr Hata would be the puppet of his powerful colleague Mr Ichiro Ozawa, the government's backroom strategist. Mr Ozawa's dominance over Mr Hosokawa has enraged the Social Democratic party, the alliance's largest member. Mr Ozawa and Mr Hata jointly lead the Japan Renewal party, or Shinseitō, the second-largest coalition member, which has dominated foreign, trade, and economic policy, despite Socialist opposition.

"There is a lot of resistance to the idea of Shinseitō taking control... If we are unable to form a strong government, then we let

Continued on Page 14  
Hosokawa's cupboard, Page 6

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## NEWS: INTERNATIONAL

# A Brussels audio-visual paper has posed more questions than answers. FT writers report

## Ailing EU film industry awaits policy script

By Gillian Tett in Brussels

In Brussels-speak it is democratic debate. For the rest of the world it may seem more like waffle.

As the television and film industry digests the European Commission's audio-visual green paper unveiled last week, suspicions about the problems of doing business with Brussels bureaucracy are unlikely to have been dispelled.

Although the Commission and the industry fully agree that "urgent" action is needed to boost Europe's ailing audio-visual sector, many might wonder why it has taken a year to draw up a document that does not

provide policy answers - but simply poses more questions.

Mr Joao de Deus Pinheiro, European Union audio-visual commissioner, suggested some reasons last week. The Commission, he said, had been unwilling to act during the long-running row over audio-visual policy during the General Agreement on Tariffs and Trade negotiations last year. And, as a sign of the delicacies of Brussels protocol, he had also been forced to wait until Mr Jacques Delors, Commission president, had issued his own white paper on competitiveness in December.

Meanwhile, the new spirit of post-Maastricht democracy required the

Commission to promote a full discussion with green papers, before it could proceed to draw up policies, he added.

But privately, Commission officials admit that the delays in last week's discussion paper serve as a sorry illustration of the difficulties of even drawing up policy questions when the political devil almost always lies in the detail. After wrangling their way through three "official" drafts of the paper - and scores of "private" compromises - the real problem, they suggest, has been the linguistic sensitivities of the French and English language lobbies.

The French word *four* created a long delay, after English speakers

objected to the way the Commission was posing its questions. Asking the industry if it "must" reform - the most literal translation of *four-il?* - was, they argued simply too dictatorial. "A word like *four-il* might seem like a small detail, but people are very sensitive," admitted one embattled official. He insisted that by Brussels standards, the paper had been written "quite fast".

An early reference to the possible introduction of a European-wide tax on cinema tickets along the lines of the French system, for example, provoked an uproar from some of non-French Commission quarters. Although the concept survived into

the final document, it has been fully buried at the back of the paper, with a diplomatic disclaimer stating "the Commission is fully aware of the political sensitivity... of any such scheme".

In the event, the rhetorical questions that the document finally resorted to - such as "what should be the priority themes?" - are largely too vague to provoke much controversy. And though the final French version still reads slightly more aggressively than its English equivalent, this is unlikely to upset the French film industry which has long been pushing for a more authoritative - and interventionist - policy.

## Riding a chariot of fire on the screen

Film maker David Puttnam wants a more dynamic and businesslike approach, writes Raymond Snoddy

Mr David Puttnam, producer of such influential European-made films as *Chariots of Fire*, *The Killing Fields* and *The Mission* has, he believes, entered his "fifth age" as a film maker.

It is an age in which he is more likely to fly to Brussels to lobby members of the European Commission on the future employment potential of the audio-visual industry than to see one of his films in the making.

With as much passion as he ever put into his films, Mr Puttnam has been trying to persuade the Commission, which last week published its discussion document (green paper) on the audio-visual industries, that no other industry offers such potential and that the need for action is urgent.

On the present state of the economic battle between the European and the US industries, Mr Puttnam says: "It's like going into the home-made lemonade business and wondering why you are not adequately competing with Coca-Cola."

An earlier Commission white paper on competitiveness and employment, he emphasises, identified only three areas which could create large numbers of new jobs for Europe - biotechnology, energy related to the environment and the audio-visual industry.

But of these only the last offered, high employment potential, high economic generative potential, and cultural and informational influence.

As US feature films continue to dominate at the European box office, Mr Puttnam says simply: "Either you get into it (the audio-visual business) in a serious way or take your ball home and find another place to play."

In his "fifth age", Mr Puttnam has divided his time between making films and other activities - seven years

His "first age" in the profession was spent working in the advertising industry, followed by a period of juveniles including rock music films. Then came the burst of frenetic energy that produced 10 films including the ones that made him famous and won Oscars.

It was followed by the disastrous time from 1986 to 1988 as chairman and chief executive of Columbia Pictures, although it was a decision he does not regret.

Hollywood was something he needed to get out of his system. But now Mr Puttnam is trying to find ways of doing something about a European audio-visual industry that he believes is hopelessly fragmented and often equally hopelessly whimsical.

His ideas do not all involve intervention in the marketplace and the application of large sums of money. Mr Puttnam was a member of a European Think Tank of producers and directors that fed its ideas into the Commission green paper.

They put forward three main proposals: ● The first was the creation of two or three significant European-wide film and television distribution organisations appointed by competitive tender. They would be capitalised at around \$1bn each and have access to soft loans.

● The second envisages a levy on the entire audio-visual industry to fund new production. Mr Puttnam insists that the term "audio-visual" is the correct one because it is one industry. The scale of the levy would be up to each European Union member country to decide.

● The third proposal is, he believes, the most important of all and involves a fundamental change of attitude in Europe rather than money. It is a move away from a supply-led industry to a demand-led industry.



David Puttnam: more likely these days to be lobbying the Commission on the future of the audio-visual industry than to be making films

by the conceit that cinema is "different" without realising that the difference equalled a niche market.

"You create a generation of film and television makers who understand the marketplace," Mr Puttnam says of the task ahead.

He talks of a friend, a Hollywood marketing director who has four staff permanently dumping every piece of available information on every potential competing film on a computer on his desk.

By comparison, he believes, the state of research in Europe is "lamentable". While it may be a daunting task to compete head-on with Hollywood, he believes the American industry can be outflanked and, any-

way, there is also the huge potential of the educational sector.

He finds nowhere in the UK government either a sense of urgency or a sense of the scale of the issues involved. In Brussels, the audio-visual green paper followed the normal process - after a year's work it identified questions rather than options.

Meanwhile, in Hollywood, Mr Puttnam warns that Sony has been putting up a new building to house interactive computer programming to try to dominate the emerging multimedia industry. For the European industry Mr Puttnam believes "the next five years could be extraordinary or just a crushing defeat".

## Bossi spells out conditions to right-wing allies

Italy's Northern League will help form a new Italian government, but only if its federal, free-market and anti-fascist values are respected, Mr Umberto Bossi, the party leader, told followers yesterday.

Mr Bossi addressed an estimated 30,000 to 45,000 banner-waving *leghisti* at an open-air rally in Pontida, the supposed birthplace of the 12th century Lombard League, in the hills near Milan.

His speech opens the final week of unsettling political limbo in Italy, following last month's elections in which a right-wing alliance of the League, Mr Silvio Berlusconi's new party, Forza Italia, and the neo-fascist National Alliance, won a clear victory over the left.

On Friday, new members of parliament take their seats. Following consultation with the newly elected speakers for the two chambers of parliament, President Oscar Luigi Scalfaro will choose a prime minister and the real negotiations for the formation of a government can begin.

Yesterday's message from Mr Bossi to his allies in the electoral pact was raw and uncompromising.

For example, he said the National Alliance should "take note" that the League would not tolerate regurgitated (fascist) ideology. But he avoided direct attacks on Mr Berlusconi, whom he last week dubbed "Berluskaizer" in a reference to the media magnate's autocratic style, and the National Alliance, which he has referred to as "the gallows party".

His uncharacteristic moderation in an otherwise rabble-rousing speech reflects the delicate stage of government talks.

At the end of last week, the League and National Alliance began to lay the groundwork for reconciliation of their apparently contradictory ambitions. The League now appears ready to accept the principle that the Italian prime minister should be directly elected, in return for National Alliance concessions in favour of federalist constitutional reform.

But any progress could easily be undermined. For example, the League managed to upset its allies almost immediately after Friday's positive meeting with the National Alliance.

ance, by proposing that Italy should change its name to the Italian Union.

Yesterday, Mr Berlusconi - who is widely expected to be asked to form the new government - tried to paper over the differences between the allies by describing the victorious

### Andrew Hill reports from Pontida, northern Italy

electoral pact as centrist rather than right-wing.

"I give my word that I will be the bearer of common sense and firmness, and will keep the tiller always in the centre," he told a political meeting in Rome.

The difficulty for any Italian premier of steering a steady course was underlined by Mr Bossi's speech at Pontida. He won a resounding Yes from the crowd for his proposal that the League act as a guarantor for anti-fascist and liberal values in any new government. But the biggest cheer of the afternoon was reserved for the old separatist threat that, if the latest democratic changes do not achieve the League's goals in a short time, "the North will simply break off" from the rest of Italy.

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## Kevlar\*, Nomex\*, Nylon:

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Under the skin of the model changes, which mark progress in the automobile industry, a more fundamental shift in thinking is taking place.

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Flexible hoses for turbochargers on heavy trucks are reinforced with NOMEX to resist temperatures up to 200°C

safety. Designers are being challenged to build-in more of each at every point in the model range. DuPont's engineering fibres are playing an increasingly important part in the process.

#### NYLON that saves lives

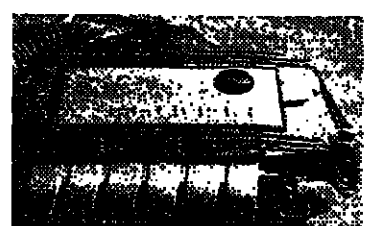
For example, in airbag technology. DuPont has been active in the development of passive restraint systems since the early 1970s. By the year 2000, almost all new cars are expected to have them. State-of-the-art airbags made from high-tenacity industrial NYLON inflate on impact, then deflate to absorb crash energy - all in a split second. Failure is unacceptable: there are no second chances for this component. At the moment of inflation, airbags contain up to 90 litres of gas. The

special NYLON yarns DuPont has developed meet exacting specifications, but save weight and enable a 20% reduction in pack space - advantageous to designers, engineers, and ultimately drivers and passengers.

#### Fail-safe hose technology

DuPont materials help in other ways. Modern engines perform most efficiently at high temperatures - the higher the better. One consequence: the mechanical and heat stress on components in and around today's power units is much greater. Engine bays are not only hotter, they're more crowded, limiting access to many components. This increases the reliability stakes: failure is not just inconvenient to drivers, it's time-consuming and costly to put right.

Our NYLON para-aramid and NOMEX meta-aramid fibres give designers the freedom of more demanding specifica-



This Volkswagen 5 cylinder 24 valve power unit depends on hoses and gaskets with KEVLAR

tions for key components, such as hoses. The industry's ultimate objective is fail-safe products with a guaranteed service life. Manufacturers such as Continental, Gates, Hutchinson, Metzeler, Phoenix and Saig are well on the way to achieving this, using KEVLAR and NOMEX to reinforce water, oil, fuel and hydraulic hoses. These set the industry standard for durability and dimensional stability. When things get hot, KEVLAR resists temperatures of up to 160°C and NOMEX 200°C, without functional alteration.

#### KEVLAR takes the friction

Other component suppliers, such as Goetze, Klinger and Reinz, have adopted KEVLAR as a superior, environmentally-friendly alternative to asbestos for heavy-duty cylinder head gaskets. Despite higher compression ratios and increased cylinder head temperatures, failure of this key component is rare.

Engine performance gains have been matched by all-round improvements in handling and braking. KEVLAR in brake linings delivers smoother, more efficient stopping power in all road and weather conditions, adding to the safety margin and driver comfort. Linings also last longer and cause less wear to discs and drums, so saving



DuPont pleated airbags to high-tenacity NYLON. Passenger bags sealed in TYVEK behind a "door" in NYLON, minimize weight and space requirements.

on service costs. The same qualities make KEVLAR a natural choice to reinforce clutch linings, too.

#### High performance where it's needed

DuPont NYLON is widely used to reinforce car and truck tyres, and KEVLAR specifically used by Michelin, Dunlop and others to strengthen modern, low-profile designs developed for high-performance motoring and the race track.



KEVLAR and NYLON add capability to most modern tyre designs

Elsewhere, the unique properties of ZYTEL-KEVLAR make an ideal plastic reinforcement. It reduces noise, is hard wearing, needs no lubrication and doesn't damage counter-surfaces. ZYTEL-KEVLAR is used by Toyota for door check bars, by the Automotive Products Co. for clutch activation systems, and by other manufacturers

for a wide range of gears, bushes and bearing applications. All in all, DuPont materials are an integral part of millions of cars rolling off Euro-production lines at Audi, BMW, Fiat, Ford, Lancia, Mercedes-Benz, Opel, Peugeot, Saab, Toyota, Renault, Volvo and Volkswagen. The list of applications gets longer each year - hardly surprising, given the extensive use of KEVLAR and NOMEX in motor racing and rallying, proving ground for most of the industry's advances in materials technology.

#### DuPont innovation

The ability of car makers to continue to meet consumers' expectations of increased comfort, efficiency, reliability and safety - and respond to environmental concerns - is critically dependent on new and even better materials. DuPont is committed to their development: the innovative drive behind our engineering fibre products continues.

DuPont is one of the world's leading industrial companies, with 40 production and development facilities in Europe alone. KEVLAR, NOMEX and

NYLON are produced by DuPont "Engineering Fibres and Nonwovens" which also supplies TYVEK, TEFLON, TYPAR,



KEVLAR and NOMEX are present in motor sport, from strong, lightweight bodyshells to drivers' flame and heat-resistant overalls.

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Attacks could bring new realism to Serbs or ruin joint diplomatic initiatives

# Nato strikes leave peace in balance

By Bruce Clark

The fate of peace-making efforts in Bosnia hung in the balance last night as the Damocles' sword of Nato air strikes finally dropped.

At best, the air attacks will bring a new realism to the Bosnian Serbs who in recent days have brazenly tested the will of the international community and exploited every sign of hesitation and departmental infighting among western governments. At worst, the Nato action will alienate Russia and thus ruin the chances of co-ordinated diplomatic action by the Security Council.

The most optimistic view of the Bosnian Serbs' bid to capture Gorazde, one of three so-called safe areas for Moslems, is to see it as a final grab for territory before bowing to international pressure and making peace with the newly established Croat-Moslem federation.

The outlines of a deal already exist: the Serbs would trim their share of Bosnian territory from 70 to 49 per cent, and in return regain international respectability. But the precise contours of the ethnic divide have been left undecided, creating an irresistible temptation to take advantage of a fluid situation.

The Bosnian Serbs have made no secret of the fact that, for them, the existence of Gorazde and two adjoining safe areas is an irritant. It obstructs their dream of creating a greater Serbia by linking eastern Bosnia with Serbia proper and the Serb-controlled parts of Croatia.

There is speculation that in exchange for full control of eastern Bosnia, the Serbs would cede territory in the centre and north of the republic, where their army is overstretched and under pressure from the Moslem-led government's well-trained infantry.



Bosnian refugees protest in Bonn yesterday, the second anniversary of war in their country

But the passions unleashed by the latest fighting - both inside former Yugoslavia and beyond - could complicate the peace-making process.

Progress has been made over the past two months by a mixture of old-fashioned "superpower" diplomacy and the personal authority of Gen Sir Michael Rose, the UN commander in Bosnia.

The US and Russia have largely taken over the "glamorous" side of peace-making in Bosnia.

But more recently, western policy has been compromised by embarrassing public squabbles between the Pentagon - which has been hesitant about the use of force - and the State Department, which has been less so.

Because of the political disaster which a failed intervention in Bosnia could entail, different sections of the American administration have been passing responsibility to one another, and to Gen Rose.

Nor can Russia be counted on to exercise a moderating influence over the Serbs - especially now that the air strikes have inflamed passions throughout the orthodox Slav world.

Lord Owen, British co-chairman of the EU-JN conference on Yugoslavia, has predicted a "crucial eight weeks" in which the current settlement plan will live or die.

If the opportunity is fumbled, it will mark the third Bosnian peace plan to have died - and will cast a shadow over the prospects for stability in the Balkans.

# EU in grip of new monetary realism

By Lionel Barber in Athens

The ERM is dead, long live the ERM. This might be an appropriate epitaph to the two-day meeting of European finance ministers and central bankers in Athens, which ended on Saturday.

Barely a word passed about the old exchange rate mechanism, still less was there any talk about how to restore the narrow fluctuation bands for EU currencies - the cause for which billions of dollars and several political reputations were lost in 1993.

Plainly, the 15 per cent fluctuation bands in operation since the collapse of the ERM last August have won converts. Mr Hans Tietmeyer, Bundesbank president, was not alone in defending a system which no longer imposes obligations on the strong to intervene to prop up weaker currencies, but which has still encouraged the old "hard-core" currencies (Belgium and the French franc) to cluster around the D-Mark.

The "dirty float" has given everyone a respite from the speculators, but it still raises questions about the European Union's road-map to a single currency by the end of the decade.

The old plan of moving to European monetary union using the discipline of narrow bands to move progressively to fixed exchange rates looks out of date. So what comes next?

Athens ducked this question, but one senior EU official predicted that ministers would have to take decisions before the end of the year if the earliest date for EMU - 1997 - was to remain credible.

The most important concerns the interpretation of the Maastricht treaty, specifically article 109 which covers the criteria on inflation, budget deficits, interest and exchange rates necessary to qualify for EMU.

The treaty says that member states must respect "normal" margins of fluctuation within the ERM for at least two years, and that there must be no devaluations. But what is "normal" now that the ERM exists in name alone?

One option is to judge member states' exchange rate performance against the central rate as represented by the Ecu; but this would impose a tougher standard than the old 2.25 per cent fluctuation inside the narrow ERM bands, said one official.

Meantime, the accent is on each member state taking the necessary corrective action to bring their economies into line.

Mr Kenneth Clarke, British chancellor of the exchequer, may be criticised for his tax rises in the UK, but in Greece he was happy to stand alongside Mr Theo Waugel, his German counterpart, as the fearless pruner of budget deficits.

Nor was the mood too sombre in Athens. One senior official noted that for the first time in at least two years there was a widespread feeling that the European economy may be moving decisively into recovery.

If there was a fear, it was that the recent upward pressure on US interest rates could cross the Atlantic, dashing hopes that the downward trend on the continent will continue.

Despite misleading suggestions from the Greek delegation, this did not translate into an appeal to the Bundesbank to accelerate cuts in short-term rates.

"Everybody realises that this is counterproductive," an official said.

This realisation suggests a new realism about monetary union. It also underlines the extent to which the central banks are in the driving seat.

## Workers set to back Air France rescue

By John Riddick in Paris

A vote by Air France's 40,000 employees is likely to show support for a rescue plan for the loss-making airline when results are announced tonight, according to union officials at the state-owned carrier.

But they said it was still uncertain whether the margin of approval or the participation rate would be enough for Mr Christian Blanc, the airline's chairman, to claim the clear show of support he has demanded to proceed with his restructuring plan.

Mr Blanc has said he will resign if he fails to receive sufficient support for his package, which he claims is vital for the survival of Air France. His measures, which include 5,000 job cuts and a wage freeze, are designed to curb losses estimated at FF7.5bn (£870m) last year. A capital injection of FF20bn from the French government over the next three years is dependent on staff acceptance of the plan.

Opposition from airline workers, and a wave of violent strikes, prompted the collapse of a previous rescue package in October last year.

Mr Blanc decided to hold a referendum after he failed to win the backing of all 14 of the airline's unions for his rescue package. His chances of success in the vote have been boosted by the support of Force Ouvrière, the largest union at the airline, and one of the six unions which signed the restructuring plan.

Mr Blanc has not specified the level of support he requires for the plan, but is thought to be seeking more than 60 per cent approval.

## Remains of E German sell-off 'of no interest'

By Christopher Parkes in Frankfurt

The remains of eastern Germany's privatisation programme are of no interest to the German private banking sector, according to Mr Jürgen Sarrazin, chairman of Dresdner Bank.

The family silver had all been sold and eastern German companies still in the hands of the Treuhand privatisation agency were those with little hope of survival, he said in a brisk rejection of government criticism of the banking community's stance.

"The caricature figure of a banker unwilling to open up his full money bags for needy, weaker neighbours does not become any more convincing no matter how often it is published," he said. Rich and profitable German banks have been criticised recently by politicians for allegedly not doing enough to help economic recovery in the east.

Mr Sarrazin was speaking at a press conference on Friday to announce the bank's annual results. Dresdner revealed a 94 per cent increase to DM2bn (£200m) in operating profits for 1993.

The banking industry had promised Bonn last year that it would contribute DM1bn to aid the privatisation process, as part of Chancellor Helmut Kohl's so-called solidarity pact.

However, it had made clear at the outset that banks would only take over businesses which had an economic future, Mr Sarrazin said.

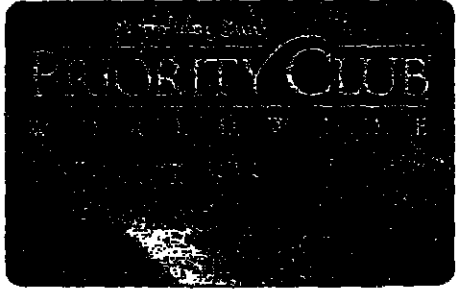
"Unfortunately, our serious intentions to co-operate fruitfully with the Treuhand have not often been crowned with success," he added.

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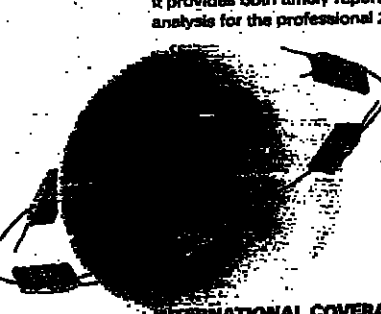
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property-based resettlement," he said.

Outside environmental and development groups, however, are more critical of the extent of compensation in China's resettlement programmes, and the bank's own report does not back up the idea that it has succeeded in meeting its resettlement goal of restoring or improving the incomes of the displaced populations.

The bank's East Asia and Pacific division was able to find only "one demonstrated example of successfully restoring the standard of living of people," while the Africa, South Asia and Latin America divisions found "no data for judging success was inadequate or non-existent."

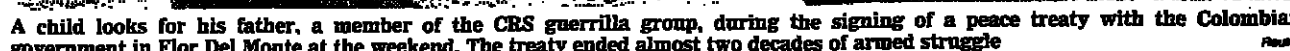
The report found substantial evidence, however, that displaced people are generally much better off when the World Bank is involved than when it is not.

an HIV vaccine", said Dr Peter Piot, WHO's director of research and intervention development.

He backed up his message with the organisation's latest estimate for the spread of HIV. "Well over 14m adults and a further 1m infants have been infected with HIV. As of 31 December 1993, over 850,000 Aids cases had been reported." A further third of these are in sub-Saharan Africa, but the region where the infection is spreading fastest is now south east Asia.

"Five years ago, fewer than 200 people in Thailand were known to be infected. By late 1993 the figures was over 500,000."

In most areas, heterosexual transmission is now by far the predominant mode of spread.



● The bank expects to raise \$3.3bn in international borrowings this year, compared with \$3.9bn in 1991 and \$5.1bn in 1992. The bank repaid last year nearly \$1bn equivalent of high coupon borrowings, against \$1.1bn in 1992.

This year's lower borrowing expectations reflects lower debt repayments and the need to make only small additions to the bank's cash.

Some \$65bn of net capital flows entered Latin America last year, exceeding the region's current account deficit and allowing a build-up of international reserves by some \$23.9bn. The region's current account deficit was \$42bn, about 3.8 per cent of regional GDP, as the overall trade deficit expanded to \$17.7bn last year from \$10.6bn in 1992.

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# Skeleton in Hosokawa's cupboard may be a dummy

By William Dawkins in Tokyo

The past few days have provided a tragicomic proof that nothing is quite what it seems in Japanese politics.

The skeleton that prime minister Morihiro Hosokawa found in his cupboard, startling him badly enough to resign, appears, by his own account, to be a dummy.

Suspicious over his personal finances were "just a trick", Mr Hosokawa told fellow members of the Japan New Party on Saturday, according to the Asahi Shimbun, the left-leaning daily newspaper.

The real reason for giving up the prime ministership was to break up the opposition Liberal Democratic

Party, he was reported to have said. The Asahi offered no explanation of this baffling news. Yet it should be believed. The Asahi must be a reliable newspaper, because Mr Hosokawa started his career as a journalist there before going into politics.

All this is, however, in keeping with the quirky events leading up to Mr Hosokawa's announcement last Friday. At dinner with two professional comedians-turned-politicians early in the week, he joked that he wanted to stand down. He denied he said it a few hours later, and then really did say it at a cabinet meeting.

Not surprisingly, Japanese newspapers were buzzing with speculation over the weekend about exactly

what prompted Mr Hosokawa's final U-turn.

Mr Hosokawa indicated, tantalisingly, that he uncovered irregularities in investments made on his behalf in the early 1980s by a close friend. This, he hinted, went deeper than the LDP's two accusations of accepting an improper political loan from Sagawa Kyobin, a trucking firm, and trying to cover up a share transaction, both of which Mr Hosokawa denies.

The explanations offered by the Japanese media are bewilderingly various. NHK television claimed that Mr Hosokawa invested ¥80m (\$8,000) unwittingly, with a loan shark, contravening a law against usury.

Another version, provided by the Mainichi Shimbun newspaper, is that Mr Hosokawa's friend, an investment consultant and company president, offered to obtain a guaranteed 12 per cent annual return on Mr Hosokawa's behalf to help him raise the cash needed to form an LDP faction. They met in 1980, according to the Mainichi, when Mr Hosokawa was a member of the upper house of parliament and the friend became a "fan".

The problem with the Mainichi's version is that Mr Hosokawa never did form an LDP faction. He did in 1992 leave the LDP to form a party, the Japan New party, dedicated, among other things, to breaking the cosy, often corrupt, links

between business and politics.

The potential legal problem is in any case too trivial to warrant resignation. At worst, the friend might not have had a licence as investment manager. But the law on investment managers has a three-year statute of limitations - and all this was supposed to have happened at least 10 years ago.

Yet another version, supplied by the Japan Times, is that Mr Hosokawa's fund manager, the publisher of a monthly economic magazine, invested around ¥80m, derived from the sale of land that Mr Hosokawa inherited from his grandfather, former prime minister Prince Fumimaro Koyama. The investment performed badly, and was worth only

¥10m by 1991, claimed the Japan Times.

Mr Hosokawa was said to have been introduced to this friend by his own private secretary, Mr Masatoshi Miyama, who left Mr Hosokawa's employ under a cloud in 1991. The prime minister has refused LDP demands to allow his former secretary to be questioned in parliament.

Speculation is rife that Mr Miyama knows what dark secret it really was that prompted Mr Hosokawa to resign. On the other hand, there is a school of political gossip who prefer the simple alibi - that Mr Hosokawa had simply lost patience with the aggressive LDP's attempts to wreck his clean image.

## Algeria devalues in deal with IMF

The Algerian government, struggling with a collapsing economy and hostility from Moslem fundamentalists, is to devalue its currency by 40 per cent and raise interest rates as part of a programme worked out with the International Monetary Fund, AP-DJ reports from Algiers.

Mr Michel Camdessus, IMF managing director, said on Algerian television the programme - which also includes a timetable of measures to open up the Algerian economy - would allow Algeria to draw \$1bn immediately from the IMF under a one-year stand-by agreement.

He described the emergency programme as "sound and courageous" and said the IMF also stood ready to work out a longer-term, three-year adjustment programme to ensure Algeria's economic recovery was deep-rooted.

The Algerian dinar, which is not convertible outside the country, had already been devalued by 7 per cent against a basket of foreign currencies a week ago. The new official exchange rate of the dinar is 36 to the dollar and about six to the French franc. On the black market recently, the franc changed hands at up to 16 dinars.

The IMF deal is expected to free loans from other lending agencies, including \$150m from the World Bank and \$150m from the European Union. Japan is also understood to be considering a \$150m loan.

The stand-by agreement will clear the way for Algeria to start negotiations with creditor governments and banks on rescheduling part of its \$26bn external debt.

Previous Algerian governments had refused to consider a rescheduling accord, arguing that it would turn off the flow of commercial bank lending that the country so badly needs to finance its hydrocarbons industry.

Oil and gas exports account for 98 per cent of Algeria's export revenue, and the country has been crippled by the weakness of the international oil market that has pushed the price of crude oil down to around \$14 a barrel.

Officials said the IMF had initially been pushing Algeria for a 60 per cent devaluation. The immediate effect of the devaluation will be to increase sharply the cost of imported goods, especially food. In dinar terms, however, the country's export earnings will be increased considerably.

The economic adjustment programme agreed with the IMF also calls for a steep rise in interest rates set by the Bank of Algeria, although they will remain below the official inflation rate, which reached 25 per cent in 1993. The official rate is based on a narrow range of goods and services, however, and experts say the actual rate of inflation is much higher.

## Prospects for peaceful S Africa election worsen

By Patti Waldmeir in Soweto

Prospects for a peaceful election in South Africa appeared dim last night after the country's political leaders acknowledged the failure of last Friday's peace summit, and Inkatha leader Mangosuthu Buthelezi predicted this would lead to further bloodshed.

African National Congress leader Mr Nelson Mandela, speaking at a rally to mark the first anniversary of the assassination of ANC leader Chris Hani, said he would seek a further meeting with Zulu King Goodwill Zwelithini despite lack of progress at the summit. He said the ANC had offered King Goodwill "the same rights as Queen Elizabeth of Britain", but the king had rejected his proposal.

Mr Mandela was addressing some 15,000 ANC supporters at the Orlando football stadium in the black township of Soweto. They laughed and jeered when he said he had asked the Zulu King three times whether he wanted "the same rights as Queen Elizabeth or more rights than Queen Elizabeth enjoys", but was unable to obtain a clear answer. "In spite of that, I am working for peace," he said, "because our people in that province (Natal) are dying in scores".

However most political analysts said they believed last Friday's summit marked a



Nelson Mandela comforts ANC leader Chris Hani's widow Limphe Hani at a memorial rally yesterday

watershed in South African politics. Local newspaper headlines proclaimed "the end of the road", with few commentators confident that a political solution could be found to the ANC-Inkatha dispute before the poll.

The ANC-dominated Trans-

national Executive Council, the multi-party body which oversees government ahead of the April 26-28 elections, is expected to take stronger measures against the KwaZulu government this week, in the wake of the failed peace summit and in response to complaints that

the recently declared state of emergency has not quelled violence. Some 144 people have died in Natal since the emergency came into force 10 days ago.

The leader of the Inkatha Freedom Party, Chief Buthelezi, predicted further bloodshed, saying: "I have never seen the level of anger (among my supporters) as high as the current level".

Violence has cast doubt over the prospects for elections in the province, but South Africa's Independent Electoral Commission, charged with conducting the poll, made clear at the weekend that elections would go ahead none the less. Mr Roelf Meyer, the government's constitutional development minister believed only 60 per cent of Natal's population could vote freely in the province.

To overcome obstacles to voting, the IEC said it would erect polling stations on the borders of the KwaZulu homeland, where Inkatha's election boycott campaign is strongest. This would permit KwaZulu residents to travel to peaceful areas to vote. However such measures are likely to have little impact, as Inkatha militants will prevent voters from leaving their homes if they believe they are going to vote.

ANC officials say international mediation of the country's constitutional dispute is still due to go ahead this week.

## Cairo anti-terrorist chief killed

Egyptian police believe five gunmen firing from a car and a motorcycle assassinated the country's top anti-terrorist official as he left his home near the Giza Pyramids, security officials said yesterday, AP reports from Cairo.

The killing over the weekend was the most daring operation carried out in Cairo in the two-

year campaign by Moslem radicals to overthrow the secular government and turn Egypt into an Islamic state.

It showed that, despite government claims to have curbed the extremists, they were able to strike in the capital and kill the official assigned to destroy them. Maj Gen Raouf Khayrat was deputy chief of state secu-

rity intelligence in charge of religious terrorist activities.

In the radicals' stronghold in southern Egypt yesterday, police said unidentified gunmen killed a policeman in the village of al-Qusiya.

The Islamic fundamentalist extremists regularly kill police in southern Egypt but the slaying of Gen Khayrat was the

first major attack in Cairo since a homemade bomb was thrown at a tourist bus last December, wounding eight Austrians and as many Egyptians.

More than 350 people have been killed since the radicals started their violent campaign in January 1992. Most have been police or radicals killed in battles, but the extremists also have attacked officials, tourists and members of the Coptic Christian minority. Four foreign tourists have died.

### INTERNATIONAL PRESS REVIEW

## Buthelezi cast as a demon

**SOUTH AFRICA**

By Patti Waldmeir

Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party, is a public relations disaster, but that is only half the reason that he has featured - this week like every week - as a demon in most South African media.

Most of the South African media - like the majority of the country's citizens - are frantic to put apartheid behind them once and for all. Elections must take place on April 26-28 as planned, and be declared free and fair, whatever the evidence to the contrary.

That is what the country wants and that, in mirror image, is what the media wants. So it takes no great foresight to predict the line which most leader writers will take in the aftermath of elections: there were isolated problems (like Natal, where one quarter of the population lives); but overall, polling was free and fair. In short, a triumph for democracy; they will say, and one which only a demonic tyrant (the likes of Chief Buthelezi) could wish to resist.

The crudest demonisation of the Chief comes, not surprisingly, from this week's *Sunday Nation*, virtually the mouthpiece of the African National Congress. Under the headline "Nothing will satisfy Gatsha Buthelezi", the paper's leader



Mandela (left) shakes hands with Buthelezi as De Klerk and the Zulu king look on

writer comments on Friday's failed peace summit between the country's four top political leaders. President FW de Klerk, ANC president Nelson Mandela, Chief Buthelezi and his nephew, the Zulu King Goodwill Zwelithini.

The *Sunday Nation* asserts categorically: "There is absolutely nothing that the ANC and the government could possibly do to satisfy Inkatha leader Mangosuthu Buthelezi", going on to conclude that "summits with Buthelezi are nothing but a blatant waste of taxpayers' money", and that "the only reasonable thing to do is to ignore Buthelezi and move ahead with the transition process".

No other newspaper is so

blunt in its condemnation. But the message is the same from most others nonetheless: Chief Buthelezi wrecked the summit, for reasons which are incomprehensible to most leader writers. They implicitly accept the ANC's view of the summit: that the Zulu King was offered everything he could ever have wanted by the ANC - the *Sunday Times*, the most widely read South African newspaper, says he could have become "a constitutional monarch in KwaZulu Natal with all his rights, privileges and status entrenched" - but this magnanimous offer was inexplicably rejected by Chief Buthelezi, on the king's behalf.

Few point out that the offer would have guaranteed the

king only ceremonial powers, and that the monarchy's communal lands - the crux of the dispute - would have become assets of the state. It is simply not fashionable to take the king's or Chief Buthelezi's complaints seriously.

However, the Johannesburg daily *Business Day* regularly gives Inkatha's concerns a fair hearing, and some Durban newspapers - including this week's *Sunday Tribune*, which bemoans "a failure in statesmanship all round" - also adopt a more balanced approach.

But there remains a marked tendency among leader writers and radio commentators - especially the popular Johan-

Election Watch commentary - to believe that the ANC has bent over backwards to satisfy Chief Buthelezi (an impression cleverly and vigorously promoted by ANC officials), and that he has spat upon their magnanimity.

There was scant local condemnation of the fact that ANC president Nelson Mandela refused to allow police (bearing a legal search warrant) to enter ANC headquarters to investigate the murder of Zulu marchers who were shot by ANC security guards in the recent "Battle of Johannesburg". Most media condemned Chief Buthelezi for that battle, despite the fact it was mostly pro-Inkatha marchers who died, and that all evidence suggests they did not fire first.

But if most media agree that Chief Buthelezi is wrong - largely his own fault for failing to convey his position more effectively - at least there seems to be a growing consensus that he cannot (pace the *Sunday Nation*) be ignored. Even the liberal Johannesburg *Weekend Mail*, the flagship of the alternative press which bravely fought apartheid, argues for a constitutional solution to the problem of Chief Buthelezi. True, the paper wants a mallet fist used against violence in Natal (through measures which the paper opposed when used against the anti-apartheid movement); but it recognises that this will not be enough. Politics, not might, must provide the ultimate solution.



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# US buyers sought for parts of British Coal

Michael Smith in London  
and Laurie Morse in Chicago

mining groups may become  
owners of significant parts of the British coal industry if a government  
marketing drive in the US this week  
succeeds.  
A decade after the year-long miners'  
strike over planned pit closures, the  
government's financial advisers are  
hoping to attract US groups to buy  
parts of British Coal when it is privatised  
by early next year. Details of the  
privatisation are to be published later  
this week.  
Government advisers believe US-

based companies are the most likely  
among overseas groups to tender to  
buy parts of British Coal, in spite of  
the sharp decline in demand for coal  
in the UK. Bids from abroad would  
considerably increase the selling  
prices of the five regional groupings  
of pits to be privatised.

The numbers of UK companies con-  
sidering bids are growing, but so far  
only two foreign groups have  
expressed interest publicly. Both are  
North American.

Jim Walter Resources, of the US, is  
part of a consortium involving the  
Union of Democratic Mineworkers  
considering making bids.

Alcan, the Canadian aluminium  
company, has teamed up with Ryan  
Group of the UK to study the feasibility  
of a bid for the north-east region.

The government, advised by N.M.  
Rothschild, hopes to stir up interest  
among other US companies such as  
Consol, Cypress Amex, Ashland Coal  
and Ziegler.

Companies throughout the world  
will be sent details of the sale. How-  
ever, it is thought that the South Afri-  
cans will be constrained because of  
their shortage of foreign exchange.  
Australian companies such as BHP  
are believed to be more interested in  
extending their Asian interests.

The US coal industry is in a period  
of consolidation, with many energy  
companies selling coal properties.

Mr Paul Chelgren, president of  
Ashland Oil, the company that owns  
41 per cent of Ashland Coal and has  
an interest in Arch Minerals, another  
US coal producer, said US companies  
might be interested in bidding for  
British Coal properties, but only  
under certain conditions.

He said: "If the purchase opportu-  
nity came with guaranteed sales con-  
tracts with prices and volumes that  
would allow the properties to gener-  
ate gross margins, I'm sure there  
would be some interest."

British Coal has contracts to sell  
more than 30m tonnes of coal a year  
to UK electricity generators, but they  
expire in 1998. Mr Chelgren said  
many coal companies would be put off  
by high costs of mining in the UK, but  
added: "If the deal was economically  
viable, someone would take it."

Another coal executive said his  
company was "unlikely to make a bid  
for companies that do not have  
long-term contracts. It comes down to  
what price they are willing to take."

Hanson and RTZ, both UK-based  
companies with wide international  
interests, have indicated coolness  
about bidding for British Coal.

## Britain in brief



## Unions urge minimum wage policy

Britain's opposition Labour  
party is under pressure from  
some trade union leaders to  
set its projected national mini-  
mum wage as high as £4.05 an  
hour.  
But the party said such a  
figure would never gain support  
from its national executive  
committee, adding: "There are  
no proposals to change policy  
and there is no proposal to set  
a figure for a national mini-  
mum wage."

Labour faced criticism dur-  
ing the last general election  
over its policy of a national  
minimum wage of £3.40 an  
hour and any suggestion that  
the level be set at more than  
this would prove controver-  
sial.

The Confederation of British  
Industry has warned that a  
minimum wage could cost  
industry up to £50bn a year,  
with the loss of 100,000 jobs.

## £50m revamp for Selfridges

Sears, the retailing group, is  
planning to spend £50m over  
three years on its Selfridges  
department store in London's  
Oxford Street.

The investment is on top of  
£12.5m spent last year on creat-  
ing a new escalator well from  
the basement to the fourth  
floor at the store's eastern end,  
and £2.5m on new electronic  
sales terminals. That means  
total investment will be £65m  
in four years.

## Upbeat view on economy

The British economy will  
enjoy robust growth and low  
inflation this year and the gov-  
ernment has no pressing need  
either to cut or raise interest  
rates, according to an indepen-  
dent panel of forecasters using  
the Treasury's computer  
model of the economy.

The Ernst & Young Item  
Club said its latest "central  
forecast" predicts both growth  
and inflation will average 2%  
per cent this year and that  
unemployment will continue  
to fall from 2.76m in February  
to 2.5m in the final quarter of  
1994 and, ultimately, to 2.4m  
in mid-1997.

The Item Club also said  
there are no financial markets of  
an imminent rise in UK inter-  
est rates "are unfounded".

## 'Low' rises in managers' pay

UK management pay rises  
have averaged only 2.8 per cent  
over the past 12 months, the  
lowest level since 1975.

The Reward Group, the inde-  
pendent pay analysts, said the  
average figure for the past four  
months was down to 2.3 per  
cent. But Reward expects the  
next 12 months to show a  
healthier increase, forecasting  
a rise of about 3.2 per cent for  
the next year.

## Cantona wins players' award

French international Eric Can-  
tona yesterday became the  
first overseas footballer to be  
named Britain's Player of the  
Year. The Manchester United  
star topped the poll, organised  
by the Professional Football-  
ers' Association, ahead of  
Newcastle United's Peter  
Beardley and Alan Shearer of  
Blackburn Rovers.



Neville Bowman-Shaw, co-founder and chairman of Lancer Boss, said yesterday that he hoped a group could be "welded back together" under new ownership.

# Lift truck maker Lancer Boss calls in receivers

By Andrew Baxter

Lancer Boss Group, one of the  
UK's biggest privately-owned  
manufacturing companies and  
the last big UK-owned pro-  
ducer of lift trucks, called in  
receivers to its UK trading  
operations over the weekend.

The move, prompted by a  
disagreement with German  
banks over expansion plans,  
ends 37 years of control of  
Lancer Boss by the two foun-  
ding brothers and owners, Sir  
Neville Bowman-Shaw and Mr  
Trevor Bowman-Shaw.

The sale of Lancer Boss is  
likely to generate interest  
among rival lift truck man-  
ufacturers and could herald a  
new round of consolidation in  
the lift truck industry.

Lancer Boss, based in Leigh-  
ton Buzzard, Bedfordshire, has  
annual sales of about £150m,  
1,500 employees worldwide -  
including 700 in the UK - and  
one of the widest and most  
modern product ranges in the  
industry.

Sir Neville, one of the most  
outspoken executives in UK  
industry, yesterday told the  
Financial Times: "I hope the  
group is welded back together  
again, although it will be  
under new ownership."

Sir Neville said a receiver  
was appointed on Friday for  
Steinbock Boss, after the unit's  
banking group, led by Bayer-  
ische Hypo-Bank, withdrew  
their support from the Mos-  
burg-based producer which  
Lancer Boss bought in 1983.

Later on Friday, to protect  
the British companies in the  
Lancer Boss group, Sir Neville  
asked British banks led by Nat-  
West to appoint a receiver for  
several British subsidiaries. Mr  
Allan Griffiths of Grant Thor-  
nton has been appointed  
receiver and has spent most of  
the weekend at the company in  
Leighon Buzzard with a team  
of 80 people.

Sir Neville is believed to  
have been planning to link up  
with a big strategic link-up  
with a non-German company,

possibly involving major lift  
truck producers with which  
Lancer Boss has business  
links, such as Komatsu of  
Japan.

However the German banks  
may have wanted to see Stein-  
bock, which has been hard hit  
by recession to link with  
Jungheinrich, the Hamburg-  
based fork lift producer which  
is ranked third biggest in the  
world, after Linde of Germany  
and Toyota of Japan.

Lancer Boss had pre-tax  
profit of £4.7m on sales of  
£200m in the year ended April.  
It was expecting a big loss this  
year, but Sir Neville said the  
UK companies had been trad-  
ing profitably for two years  
and Steinbock had just  
returned to profit.

Mr Griffiths will talk to the  
Lancer Boss workforce today.  
He is still examining the com-  
pany's trading strategy and the  
status of Steinbock Boss. But  
he had no doubts that Lancer  
Boss would be sold as a going  
concern.

# Unions target companies over works councils

Robert Taylor,  
your Correspondent

'hit list' of transnational  
panies operating in the UK  
been drawn up by Britain's  
des Union Congress (TUC)  
ch claims they will have to  
duce company-wide works  
councils for their employees by

nder a European Union  
directive expected to be  
oved by all member states  
t Britain by the end of  
yr, every company on  
srial group employing at  
1,000 workers in the EU,  
100 in at least two of the  
ber states, will have to  
duce a works council for  
employees.

final version of the direc-  
is expected to be com-  
d this week by EU social  
s commissioner Mr Pad-  
lynn.  
tain will be directly  
led despite its opt-out  
the social chapter of the  
right treaty in 1991. The  
overnment will not take  
with the other 11 EU  
er states in the decision  
ahead with the directive,  
will cover European  
ies with plants in  
n as well as British-  
transnationals with  
ions on the continent.

British trade unions have  
already set up steering com-  
mittees in preparation for the  
works councils with their  
mainland-European colleagues  
in 12 British-owned enter-  
prises. These are Unilever,  
Coats Viyella, Reed Inter-  
national Elsevier, Cadbury  
Schweppes, Watmoughs Hold-  
ings, Ferguson International  
Holdings, RFB, Lucas Indus-  
tries, GKN, United Biscuits,  
Guinness and GEC-Alsthom  
which is a joint venture.

In a further nine companies  
British unions have already  
met their European counter-  
parts to discuss works councils  
and five more British com-  
panies are also being targeted by  
the European trade unions.

Mr Nick Clark, who co-  
ordinates the British union  
works council campaign with a  
£190,000 grant from the EU,  
estimates 12 mainland-Euro-  
pean owned transnationals  
already have British union rep-  
resentatives involved in their  
works councils. As many as a  
further 34 mainland transna-  
tionals have UK union repre-  
sentatives sitting on joint  
union steering committees,  
including Phillips, Heinz, Coca  
Cola, Ford, Kellogg, Pirelli,  
Levi Strauss, General Motors,  
Rank Xerox, Otis and Electro-  
lux.

# Mushroom growers rap Irish imports

British mushroom prices are  
being undermined by cheap  
Irish imports which has led to  
about 1,000 job losses since  
1988, UK growers claim. Debo-  
rah Hargreaves writes.

The European Commission  
called on the Irish government  
to stop illegal tax breaks for  
its mushroom growers by the  
end of last week. It is still  
investigating the legality of a  
£1.3m market development  
fund which was set up to help  
Irish producers compete after  
the devaluation of sterling in  
1992.

Mushroom production in  
Ireland has increased by 92  
per cent since 1985 to 45,000  
tonnes, with the bulk of this  
exported to the UK because  
mushrooms only have a shelf  
life of about two days.

British growers estimate  
that 15 per cent of the £200m  
industry's jobs have been lost  
in the past six years as prices  
have dropped to just below  
£1,000 per tonne from about  
£1,300 a tonne in 1988.

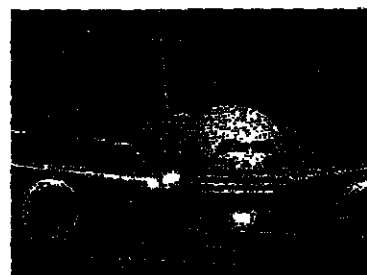
Increases in Irish production  
are part of a larger structural  
surplus within the European  
Union. British mushroom  
growers wrote to the commis-  
sion last week to warn of the  
crisis facing the EU industry  
and asking for imports from  
countries outside the EU to be  
restricted.



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## A new newsletter from the Financial Times

# AUTOMOTIVE COMPONENTS ANALYST

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## A passenger's kinda town

Chicago's airports act as a gateway to the rest of the US, says Laurie Morse

The steady globalisation of trade and the stirrings of economic recovery in the US and Europe are bringing more business travellers to America's heartland. For most of them, Chicago is the gateway to other, less populous destinations.

Although there are cheap flights to other US destinations from Chicago's O'Hare Airport, travellers should consider using the city's second airport, Midway. Served by 16 domestic airlines, many of which are short-haul carriers with cut-rate prices, Midway gives budget-conscious business travellers easy access to places such as Detroit, Kansas City, St Louis, New Orleans and Dallas.

And for weary travellers concluding business in Chicago and looking for a warm-weather holiday destination, Midway offers a handful of carriers, with names such as Kiwi and Private Jet, which specialise in flights to Florida. These airlines can be more flexible than the big carriers, making it possible to reserve a seat to Florida on notice of a day or two for a round-

trip fare as low as \$200.

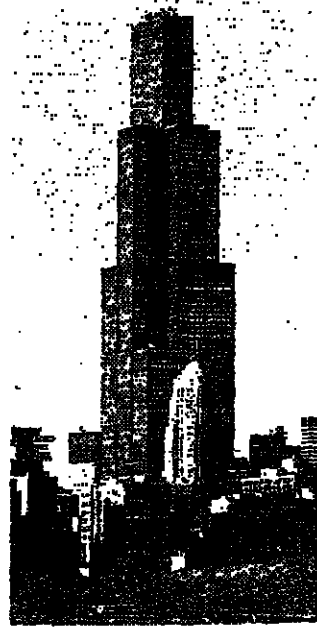
Midway is a no-frills airport. The one-storey terminal is a second world war relic with only two restaurants and, because it is only for domestic flights, no duty-free shops. Conference rooms and business services are not available.

However, flights from Midway have a better record for departing on time than those from O'Hare, and the terminal, which served 6.3m passengers last year compared with O'Hare's 66m, is less congested and quicker to pass through.

### At Midway, travellers have their pick of some of the most entrepreneurial US airlines, the leader being Southwest

Midway is an island, 30 miles south of O'Hare. It was connected by rail to the city centre late last year. You can board a Chicago Transit Authority train (the orange line) in downtown Chicago and, for \$1.50, ride to Midway in about 30 minutes. The trains are the newest in Chicago, and have special racks for luggage. At Midway, there is a five-minute walk through a covered walkway from the train stop to the airport.

Any travellers with stamina and



Chicago: from its airports, which include O'Hare International (right), you can reach many other parts of the US



light luggage can - for the same \$1.50 - board a CTA train in O'Hare airport (the blue line), travel into Chicago, change to the orange-line train at the new, Helmut Jahn-designed State of Illinois building (the Clark/Lake stop) and continue south to Midway in about 90 minutes.

Midway can also be reached from Chicago by scheduled minibuses from most downtown hotels for about \$10, while a taxi ride takes about 40 minutes and costs about \$25.

Construction on the main highway leading to Midway this summer will extend driving times to more than an

hour, making the train an attractive alternative. Long-term parking is available at the airport for \$6 a day.

Once at Midway, travellers have their pick of some of the most entrepreneurial airlines in the US. Southwest Airlines is the leader: for the past three years, the Dallas-based carrier has won the US Department of Transportation's designation as best US airline for on-time performance, for baggage handling and for fewest customer complaints. Its success has forced the big carriers to rethink their policy and pricing on competitive routes, generating cuts in fares to

many US destinations.

International business travellers who have to use O'Hare can still benefit from these cut-rate domestic flights. American, United Airlines and other large US carriers now offer flights from O'Hare to other US cities at prices designed to compete with their Midway-based rivals.

Connections to these domestic flights can be made by taking the "people mover" from O'Hare's new international terminal to domestic terminals two and three. The light-rail transit ride between terminals takes about five minutes and is free.

## JOGGERS' GUIDE: Istanbul Run around history

Istanbul caters well for the moderately serious to fanatical jogger. The more casual runner, however, is likely to be deterred by the effort and energy required to seek out, locate and then get round its widely dispersed parks and recreational areas. Jogging in the streets is not advisable, even for those with maximum life insurance and full medical protection plans. The risk factor is high, the enjoyment value nil. Traffic is heavy and drivers hold pedestrians in contempt. On top of that, there are steep hills, poorly lit streets, precipitous pavements (where they exist) and uneven surfaces.

So head for the public parks and recreation areas, many of which are a taxi ride away. The municipal public parks are reasonably well-maintained, with varying ratios of paved pathways to grassy areas.

On the European side, there is Yildiz park. The open spaces and greenery in the grounds of its namesake palace are a 15-minute taxi drive from the main hotels. Gölhane park incorporates a small zoo.

Many of the larger parks have, or are near, kiosks and cafes, where lost fluids can be replaced with fresh juices. The smaller "parks" tend to be paved squares in elongated roundabouts or traffic junctions, such as Taksim - sufficient for a short, if uninspiring, stretch of the legs.

Emirgan park and Naciye Sultan Kurpessine are good running areas close to the Marmara district, where the new stock exchange and bond market are being built.

On the Asian side of the Bosphorus are the Beykoz Abraham Pasa park, the Gubukla and Gamlica parks and, out towards the airport, the Flora Ataturk Ormani coastal recreation area.

If you can manage only one outing, set aside an afternoon to visit Belgrad Ormani (the Belgrade forests), about 45 minutes from the city centre. Among the wooded picnic and amenity areas, you can take a



jog around history - the seven Byzantine and Ottoman reservoirs - and admire the breathtaking Moglova aqueduct. It should be avoided at weekends, however, when picnickers clog the more pleasant areas with campfires and barbecues.

If jogging does not appeal, the five-star hotels all have swimming pools and/or well-equipped health and fitness centres. The pools at the Swissotel and Dedeman are the best for length swimmers.

For replenishing energy levels, the health-conscious will find that dried fruits, including figs, apricots, mulberries and sultanas, are readily available. Most food stalls and shops offer light, unprocessed yoghurt and untreated nuts.

While in Istanbul, take advantage of the continuing weakness of the lira to stock up on sports wear. An extensive range of branded sports apparel is made in Turkey under licence. The choice is wide, the quality good and prices low, at about TL730,000 (£15) for Reebok running shoes and TL450,000 for Adidas lightweight jogging trousers.

**Anne Counsell**

For further information contact Mr Kozim Arlik, parks and gardens department, Istanbul Municipality, tel: 514 0832

## Detection of bombs

The world's first automatic bomb detection system for airline luggage is being installed by BAA, which runs most UK airports.

The new equipment - devised on government orders after the 1988 bombing of a Pan Am aircraft over Scotland - uses computerised X-ray machinery to analyse materials and match them to profiles of explosives, says BAA. A suspect bag will be examined by sensors that detect explosive vapours.

BAA says the equipment can check up to 20 bags a minute and will not prolong existing check-in procedures. The system will be positioned



in the baggage-sorting area, to examine luggage after it has been checked in.

The system has been on trial at Glasgow airport and will initially be installed at London's Heathrow and Gatwick airports to check international transit baggage.

It will be installed to screen all hold luggage at BAA's

seven airports by 1996 at a cost of £150m (£220m).

### 777 unveiled

Boeing, the US aircraft manufacturer, raised the curtain on Saturday on its new twin-engine 777 aircraft, the company's most ambitious development project since the 747 jumbo jet.

Boeing executives said they saw the wide-body 777 as the beginning of a "family of airplanes" that will meet airline needs for the next 30-50 years, and maintain the company's worldwide 65 per cent market share against rivals Airbus Industrie and McDonnell Douglas.

The aircraft is scheduled to make its initial flight in the first week of June. The first commercial model is to be

delivered to United Airlines in May 1995.

Boeing so far has received 147 orders for the aircraft, which sells for between \$118m and \$140m. Analysts have said Boeing needs to sell about 300 aircraft to break even on the initial production cost, which they have estimated at \$4bn - a sum being shared by three Japanese manufacturers.

### Greek strikes

Greece this week faces the threat of strike action from groups opposed to the Socialist government's proposed tax law. The threat comes from civil servants, taxi drivers, members of the medical profession, investment companies and the country's biggest union, the General Confederation of Greek Labor.

### Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	22	25	18	18	18
Hong Kong	29	27	28	24	27
London	14	13	12	13	14
Frankfurt	11	14	14	11	13
New York	14	16	13	19	19
L. Angeles	22	23	24	23	23
Milano	14	18	21	18	17
Paris	14	15	14	14	14
Zurich	7	7	11	11	11

Maximum temperatures in Celsius. Information supplied by Meteo Consult of the Netherlands.

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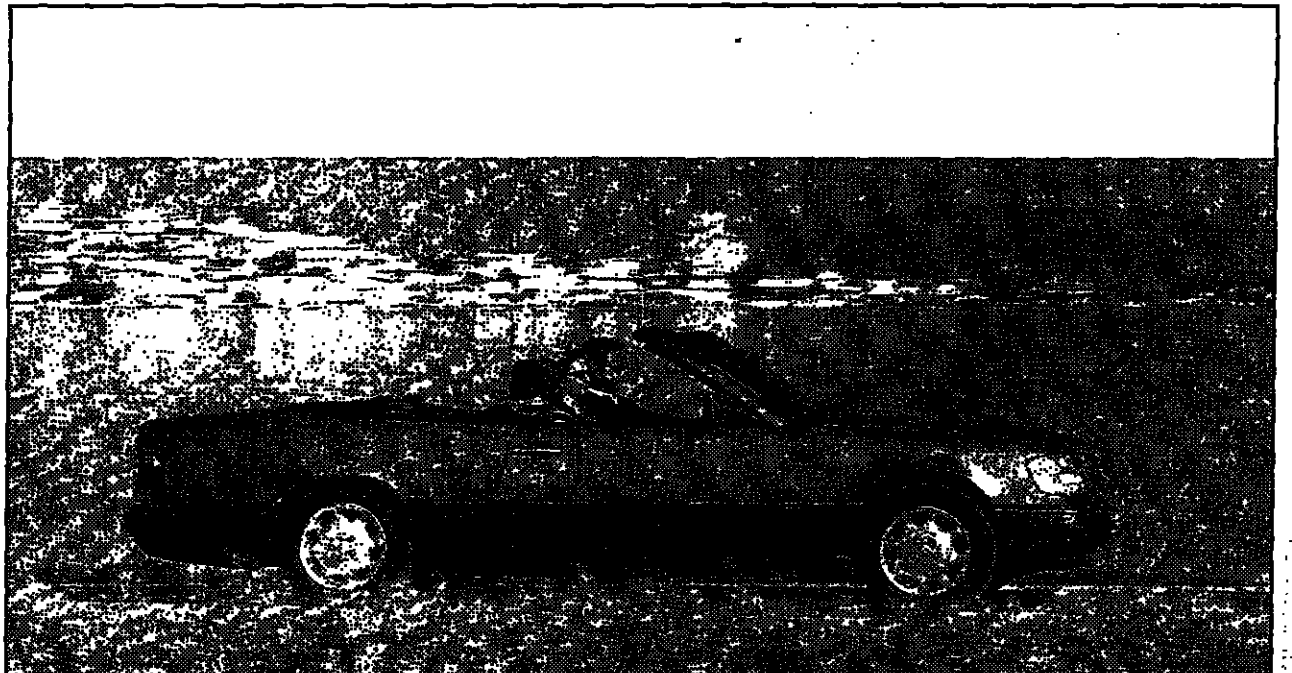
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London, Skyline	UK£	185*	104.50*
Munich	DM	450*	242.25*
Paris*	FF	3,000*	2,470*
Rome	LIT	360,000**	242,250**
Stockholm	SEK	1,840**	1,463**
Lisbon	ESC	36,000**	27,550**

Rates, listed in local currency, are subject to availability and may be changed without notice. Rates are listed for a single room per night. Rates do not include room/tax service or breakfast, except where noted.  
\* Price may include an additional occupancy tax of 7 FF per person per night has not been included in above rates.  
\*\* Tax included. \* Breakfast included.

► The above photo gives you a very good idea of their type of air conditioning you can currently benefit from at the ITT Sheraton hotels. From April 15th to June 30th, ITT Sheraton invites you to win a Mercedes E 200 convertible, with 5000 DM of additional options of your choice!

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Legal restrictions apply. Official rules are available at participating hotels. The offer is valid from April 15th to June 30th at participating hotels in the U.K., Germany, Sweden, Italy, Portugal, France and Belgium. Void where prohibited in customers' country of residence. Participation of Lisbon, Rome subject to legal authorisation.

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It makes good business sense to be a family friendly employer, finds Liza Donaldson

## Nurturing the bottom line



Joanna Foster: 'We have some blue-chip leaders who see that this is important'

**D**o you work for a family friendly company? The concept has been familiar in the US for some time but it should become better known in Britain from tomorrow when the UK Association of the International Year of the Family - part of an United Nations initiative - launches the Family Friendly Employment Agenda.

The agenda is a 36-point consultative document, with 12 key areas, which could eventually form the basis of a quality framework. Progress on the agenda to be addressed will be reported in a September conference.

The launch will take place at the London headquarters of the Midland Bank - it started its own nursery programme in 1989 and now boasts 114 nurseries and 60 play schemes - and has won backing from Howard Davies, director general of the Confederation of British Industry, and John Monks, general secretary of the Trades Union Congress, representing employers and employees.

Joanna Foster, chair of the UK Association of the International Year of the Family, says their support confirms that the new agenda will benefit both sides. "Family friendly work is now hot area. Everybody used to think this was just about policies for women. It was marginalised, when in fact it is about being family friendly to everybody and helping them get a better balance between their family responsibilities and their employment responsibilities," she says.

So how do companies approach the new family friendly agenda? Foster says: "Companies and organisations can use it as a benchmarking activity. I hope very much that

research spanning 40 studies in individual companies and a further 40 on employees drawn from a wide range of organisations, says: "A body of small, but consistent, research suggests that childcare centres, parental leave policies, flexible time and employee assistance programmes offer some pay-back to the company."

It suggests that family friendly policies have helped improve recruitment, retention and performance as well as reduce absenteeism. Conversely, the report identifies negative costs to companies that do not have family friendly policies. These include problems with staff recruitment, retention, productivity, absenteeism, tardiness of employees and stress when employees experience conflicting demands between work and family. The effects on employees of caring for elderly relatives was highlighted as a particularly acute problem.

In the UK it is perhaps significant that the companies implementing family friendly policies are those most likely to keep a tight rein on company costs. They include the big four clearing banks - Midland, Barclays, Lloyds and National Westminster.

Midland Bank, for example, used costings from the Institute of Manpower Studies to calculate that it would cost £18,000 to replace an assistant manager with 11-15 years' experience, including recruitment, advertising and training. Since a nursery place costs £2,500 a year, savings of £8,000 over four years are generated by retaining assistant managers.

The Alliance & Leicester building society, the UK's fourth largest society, has also adopted family friendly policies. It argues that its term-time working arrangements for parents, the option of 10 weeks' unpaid leave with employment rights protected and flexi-time, made good business sense - attracting and retaining quality staff.

In retailing, Boots introduced family friendly policies to reduce turnover of its 35,000 staff by 1 per cent and therefore employee costs per head. These measures it calculated would save £1m, or £2,850 for

each of the 350 employees. Its policies include part-time working (also for senior staff), term-time working for 300 office staff meeting certain criteria, job sharing, flexi-time, maternity and paternity leave, a summer activity scheme for children and a nursery place scheme. Despite the recession, Boots has taken a long-term strategic view of its staffing levels and benefits, while other companies have preferred short-term options, such as reducing staff numbers or, for example, relaxing childcare provision.

The company now has 50 per cent of women on maternity leave returning, compared with 7 per cent

four years ago. Boots does not just calculate policy benefits in financial terms - it believes staff commitment and loyalty are as valuable, if more difficult, to quantify.

Becton Dickinson is a previous winner of the Working Mothers Association's Employer of the Year Award. The company manufactures medical care products such as syringes, surgical instruments and gloves and has 850 employees on sites in Plymouth and Oxford. It has introduced a committee which reviews family friendly policies and makes recommendations on reconciling family and work-related problems.

Foster says such committees provide an important consultative mechanism which is advocated in the agenda. She stresses, for example, the importance of consulting employees before introducing a new family friendly policy. "It is no good saying that 'we are going to have a nursery' if nobody wants one."

Neil Gibbs, UK human resources manager at Becton Dickinson, admits that the company culture favoured moves towards flexi-time, job sharing, part-time work, employee counselling, family illness days, leave for sick dependents and maternity information packs. He says managers still had to adapt to the changes - for example, viewing the positive elements of changes such as job sharing took time. Now, instead of seeing two job sharers in terms of two people to manage rather than one, the company emphasises the benefit of two brains for the price of one.

Simon Sperry, chief executive of the London Chamber of Commerce and Industry, whose 3,000 members employ 500,000 people, says: "I think Britain has a problem compared with the rest of the EU. We have the highest rate of divorce and the lowest level of childcare. That is a fairly rotten start."

Peter Moss, senior research officer and co-ordinator for the Thomas Coram Research Unit, which investigates family life and employment issues, points out that there is more than the bottom line to be considered. Kids' Clubs Network, which campaigns for more out-of-school playcare, says one in five children are "latch-key" children. It says there are only 1,000 out-of-school clubs in existence, while 25,000 are needed.

Foster says companies and employees need to rethink the concept of work to cope with today's family and social pressures. She points to the fact that one in seven adults are responsible for the care of elderly relatives. Changes in employment requirements - government figures suggest that women will make up 80 per cent of the labour force by the year 2006 - also need to be considered, she says.

"We have some blue-chip leaders who see that this is important in terms of capitalising on the investment and development potential of their people," she says. "But there is a massive revolution still to be done."

*"Linking Work-Family Issues to the Bottom Line" Published by The Conference Board, 845 Third Avenue, New York, NY 10022-6601.*

*\*\*UK Employer Initiatives - Working Examples of Family Friendly and Equal Opportunities Policies. The Working Mothers Association, 77 Holloway Rd, London N7 8JZ Tel: 071-700-5771.*

## Breaks in the supply chain

People are the biggest barrier to good logistics, says Andrew Baxter

**S**omewhere in France there is a very unhappy chief executive. Until recently he had complete responsibility for the profitability of his company, part of a multinational, in the French market.

In future, however, he is losing control of most of his marketing, and will be completely dependent on warehouses in Belgium and Italy for his stock. "The centre will control this company. I will be left to run a shell," he laments.

The anonymous manager is quoted in a big new report on logistics in Europe by Ernst & Young, the accounting and consultancy group. His fears underline the central finding of the survey - that the biggest barriers to modifying a logistics system are people-related.

Logistics is a big issue for European manufacturers operating in the single market. Many have integrated their logistics with their core business, but more recently have had to decide to what extent their distribution and warehousing should be pan-European.

For many, a completely new approach is necessary, others, probably a minority, are right in seeing no need to make changes. Either way, it is something companies have to think about, says Paul Bysouth, head of E&Y's supply chain practice in the UK.

Also, as barriers to business have fallen in Europe during the last decade, companies are having to adopt concepts of "integrated logistics" which focus on the entire value chain - the design and co-ordination of a company's physical network, use of suppliers and other third parties, information technology systems and the way staff are organised and trained to think in "integrated" terms.

The aim, says Bysouth, is to see the supply chain as a profitability issue, where the aim is to increase service and value to the customer.

The good news from the report is that European industry understands that the issues are important. Unfortunately, however, it seems to be tackling

the problem the wrong way.

A survey conducted for the report found that only 29 per cent of companies had developed an integrated logistics network, with a further 11 in the process of developing one. That leaves 60 per cent of companies which have not integrated their logistics. The changes which industry believes it needs to make to integrate its logistics reveal where things may be going wrong. Sixty-seven per cent of companies believed the best route was through IT-led integration, compared with 18 per cent which thought their infrastructure needed changing and only 6 per cent which thought they needed to change their organisation and their employees' attitudes.

Conversely, while excessive emphasis is being placed on IT, not enough is being done about the real problems. Internal barriers to integration were identified by 65 per cent of companies questioned, and 62 per cent of all such barriers were linked to some form of resistance from staff.

The survey found a number of methods being used to overcome change, such as training, meetings, or simply allowing "time to heal". But in contrast to IT, the process is generally left unmanaged or poorly managed. What is needed, says Bysouth, is a strong internal "sponsor" for change, and good communications, both internally and with customers.

That, he says, might help win over people like the disgruntled French manager. Or the Spanish transport manager whose company is moving to third-party hauliers, leaving him with merely a monitoring role. "How will I know what to do each day? How will I be able to get on with my boss when he sits in a different country? I am just scared of what is going to happen."

*\*The survey was carried out for E&Y by ITR International. The report, Integrated European Logistics: The Barriers to Overcome, is available free from E&Y's European Consulting Group, in Paris. Tel 1 4693 7152.*

## CONFERENCES & EXHIBITIONS

**APRIL 14 & 15**  
**WHAT'S HAPPENING IN TURKEY?**  
Up to date information from senior officials. Ministers & British businessmen experienced in Turkey, on the likely effects of the recent financial upheaval. A timely seminar on "Opportunities in Turkey after the recent collapse".  
Contact: Barry Rogers, ICCI  
Tel: 071 384 4444 Fax: 071 489 0391  
LONDON

**APRIL 18**  
**CREDIT ANALYSIS - SECURITIES FIRMS**  
Thomson BankWatch, the international credit rating and analysis agency, are running a workshop to help in the difficult task of analysing and assessing the creditworthiness of Securities Firms. This is a practical workshop which includes a case study and rating discussion.  
Contact: Ian Rothery  
Tel: 071 353 1768 or 071 815 0406  
Fax: 071 815 0408  
LONDON

**APRIL 18-20**  
**LAFFERTY'S INTERNATIONAL AFFILIANCE CONVENTION**  
Alliance is rapidly becoming more than Retail Banking & Life Insurance. It now includes Investment Funds & General Insurance, forceably banks, insurers, financial services. Hence, this convention of three inter-related conferences. Contact: Elaine Fitchinson, Lafferty Conferences  
Tel: (0353) 671 8022 Fax: (0353) 671 3994  
LONDON

**APRIL 19**  
**OFFSHORE SAFETY CASE MANAGEMENT**  
A conference on safety case work in the North Sea. Issues include assessing safety cases submitted to the HSE, future legislative needs, insurance risks, the legal position and safety case automation. Speakers include Michael Forsyth MBE (Minister of State, Dept of Employment), Tony Barrett (Chief Exec, North Sea Safety, HSE). Organized with Ichna and Digital Equipment.  
Contact: Ian Dale  
Tel: 071 730 0430 Fax: 071 730 0460  
LONDON

**APRIL 19**  
**WORLD CLASS INTERNATIONAL WORKSHOP PROCESS RE-ENGINEERING AND WORKFLOW AUTOMATION**  
The workshop will deliver its products and service through a series of value-adding processes. This workshop looks at how to make the best use of the leading workflow automation product software, to radically improve process effectiveness. (Ref: WCMAA). Contact: Vicki Welham, World Class International Ltd  
Tel: 0705 268133 Fax: 0705 268160  
HAMPSHIRE

**APRIL 19-20**  
**THE FUTURE OF THE IT INDUSTRY THROUGH THE YEAR 2000**  
Carter Group consultants analyse key IT trends affecting industry. For chief information officers, senior staff in computer manufacturers and IT suppliers.  
Price: £250. Contact: Kate Durham  
Tel: 0753 831122 Fax: 0753 850770  
LONDON

**APRIL 19-20**  
**BUSINESS PERFORMANCE MEASUREMENT/TRANSFORMING CORPORATE PERFORMANCE BY MEASURING AND MANAGING THE DRIVERS OF FUTURE PROFITABILITY**  
A major two-day international conference on how to improve corporate performance. It will give organisations a practical, step-by-step guide to measuring and managing the drivers of future value such as quality, customer service and human capital.  
Contact: Ian Dale  
Tel: 081 544 1830 Fax: 081 544 9020  
LONDON

**APRIL 21**  
**CLEAN COAL TECHNOLOGY: HOW SOON A THREAT TO THE GAS AND OIL INDUSTRY?**  
Clean coal technology will be commercially proven by the end of the century, threatening the gas and oil industry. Extension into the power generation market. This half-day seminar will consider the implications.  
Contact: Caroline Little  
Tel: 071 636 1004 Fax: 071 255 1472  
LONDON

**APRIL 21 & 22**  
**BUSINESS PROCESS RE-ENGINEERING SEMINARS & WORKSHOPS**  
Continuing a successful series of seminars for executives and senior managers. The seminars will include a practical case study. Contact: Ian Dale  
Tel: 071 636 1004 Fax: 071 255 1472  
LONDON

**APRIL 25**  
**NEW TRADE MARKS BILL**  
CIBS J Barvin & Co half-day conference on the new Trade Marks Bill. The bill will affect trademark holders and those who wish to register a trademark. Contact: Sandra Aldred  
Tel: 071 379 7400 Fax: 071 497 3646  
LONDON

**APRIL 26**  
**INVESTMENTS IN MINAS GERAS - The Gateway to Brazil and the MERCOSUL**  
A morning seminar and lunchtime for interested individuals and organizations to meet high-level authorities and Brazilian and British entrepreneurs with regard to opportunities in the State of Minas Gerais, Brazil, which is actively promoting investment and foreign trade.  
Contact: Daniela Cornejo  
Tel: 071 497 3646 Fax: 071 497 3646  
LONDON

**APRIL 26**  
**SUCCESSFUL PR ACROSS EUROPE**  
This half day seminar explores the key issues associated with implementing successful and successful press and public relations programmes in more than one European country. For company directors responsible for marketing in Europe as well as marketing communications managers and corporate advisers.  
Contact: Sofia Wapnick, European Marketing Consultants Ltd  
Tel: 081-479 3023 Fax: 081-947 9042  
LONDON

**APRIL 29**  
**PUBLIC RELATIONS: VALUE FOR MONEY**  
CBI Conference, in association with CARMA International, examines best practice and latest evaluation techniques in a day of small and medium-sized businesses effectiveness of spending on PR.  
Contact: Sandra Aldred  
Tel: 071 379 7400 Fax: 071 497 3646  
LONDON

**MAY 3**  
**VIETNAM - TACKLING A NEW MARKET**  
CBI Conference, sponsored by Conder Brothers, provides advice from business people with first-hand experience on ways to tap a share of this new and exciting market. Richard Needham, Minister for Trade, will give keynote address.  
Contact: Sandra Aldred  
Tel: 071 379 7400 Fax: 071 497 3646  
LONDON

**MAY 4-5**  
**KNOW YOUR COMPETITORS**  
Competitor Intelligence & Analysis. A practical two-day seminar. A practical two-day seminar. Contact: Sandra Aldred  
Tel: 071 379 7400 Fax: 071 497 3646  
LONDON

**MAY 4-5**  
**THE NORTH SEA**  
Petroleum Economics/CBI Conference on Oil & Gas brings together leading authorities including Ministers from UK, Netherlands and Norway to consider the key issues relating to future operations.  
Contact: Sandra Aldred, CBI Conferences  
Tel: 071 379 7400 Fax: 071 497 3646  
LONDON

**MAY 6**  
**PERFORMANCE MEASUREMENT AND BENCHMARKING**  
Forum Hotel, Kensington.  
A means of achieving improvements in overall business effectiveness.  
Contact: Sandra Aldred  
Tel: 071 917 9244 Fax: 071 580 6991  
LONDON

**MAY 9**  
**COMPETITOR ANALYSIS**  
Waldorf Hotel, Aldwych.  
A key to strategic management accounting - and a means of obtaining strategically relevant information on competitors.  
Contact: Emma Morris  
Tel: 071 917 9244 Fax: 071 580 6991  
LONDON

**MAY 9-10**  
**14TH ESC ANNUAL ADVANCED COMPETITION LAW**  
Intellectual Property Rights; Representing a Complainant; Procedural Points in Competition Cases; Mergers & Joint Ventures; Remedies for Breach of Competition Rules; UK Competition Law update.  
Contact: Steve Warner (Osteo ref FT)  
Tel: 44(0)71 386 9322  
Fax: 44(0)71 381 8914  
LONDON

**MAY 10**  
**INVESTMENT OPPORTUNITIES IN THE NEW SOUTH AFRICA**  
For Fund Managers & Institutional Investors focusing on new opportunities and cyclical investments. Date is inauguration of new South African Govt.  
Speakers include: Dr. Worrall, former Ambassador/Omega Chairman, leading SA and U.K. Brokers, Economists, Bankers, I.S.S. and A.N.C. Overseas Research (John Katz and Associates).  
Contact: John Katz on 071 394 5795 or Fax 071 231 9938  
LONDON

**MAY 11**  
**NEW CONSUMER ENVIRONMENT**  
The key factors driving markets into the next century. The Healey Centre's one-day conference will be examining the real drivers of change in Britain. Our latest views on the way that society is changing and the implications for marketing and corporate strategy.  
Contact: Anna Harris  
Tel: 071 333 9961  
Fax: 071 329 3377 Fax: 071 329 4508  
LONDON

**MAY 12**  
**BUSINESS PROCESS RE-ENGINEERING**  
ONE DAY SEMINAR & WORKSHOP  
The seminar provides a comprehensive BPR implementation strategy (theory, case study, workshop). You will learn proven methodologies and computer modelling. The speakers from QSC, William Lynn Associates and Origin cover all aspects of a successful BPR implementation. Repeated 16 June.  
Contact: Sharon Hayes, QSC Ltd  
Tel: 071 329 3377 Fax: 071 329 4508  
LONDON

**MAY 17-18**  
**WORLD CLASS INTERNATIONAL WORKSHOP**  
This 2-day workshop challenges some of the fundamental purchasing concepts providing solutions to problems in dealing with suppliers. Have your suppliers achieved the necessary quality, delivery and cost targets you require. (Ref: WCMAA) Contact: Vicki Welham  
Tel: 0705 268133 Fax: 0705 268160  
HAMPSHIRE

**MAY 24**  
**ALL AT SEA WITH FUELS AND LUBES**  
Rays of Marine Fuels and Lubricants cover more demanding markets are undergoing dynamic change, and competition for business remains intense. Also, the industry must consider a bewildering array of changes in environmental legislation and financial risk management. This Conference will discuss these issues.  
Contact: Caroline Little  
Tel: 071 636 1004 Fax: 071 255 1472  
LONDON

**MAY 25-26**  
**IT 94: TRANSFORMING IT TO SUPPORT THE HIGH PERFORMANCE BUSINESS**  
UK's first annual conference for senior executives responsible for re-engineering the organisation and delivery of IT. It addresses ways of organising IT to promote partnership with the business, the new skills and resources requirements and alternative approaches to systems delivery.  
Contact: Business Intelligence  
Tel: 081-544 1830 Fax: 081-544 9020  
LONDON

**MAY 26**  
**HOW TO KEEP YOUR CASH FLOWING**  
Many UK businesses suffer the effects of late payment and bad debt as they see credit management is a low priority function. This topical one-day conference will address such issues as - how can credit management be a key contributor to business performance and growth? What are the essential elements of effective credit management?  
Director Conference Tel: 071 730 0222  
LONDON

**MAY 26**  
**MARKET REGULATION**  
THE SIB'S PROPOSED CHANGES FOR THE LOWER IMPLICATIONS FOR MARKET PARTICIPANTS.  
Speakers include: Andrew Large, Chairman, SIB, Michael Lawrence, Chief Executive, London Stock Exchange, Daniel Hodson, Chief Executive, LIFPE, Neil Thompson, Director, British Securities and Exchange Commission, Sir John Gifford, Director, City & Financial Conferences  
Tel: 0276 856666 Fax: 0276 856666  
LONDON

**JUNE 7-9**  
**IMPROVING BUSINESS PERFORMANCE THROUGH EFFECTIVE USE OF IT**  
Investing in IT to meet the needs of business - re-engineering business processes to become more customer oriented, successfully managing the cultural impact of change. Leading international speakers describe case studies and strategies.  
Contact: UNICOM Seminars  
Tel: 0895 256484 Fax: 0895 813095  
LONDON

**JUNE 7-9**  
**IMPROVING BUSINESS PERFORMANCE THROUGH EFFECTIVE USE OF IT**  
Presentations by: John Sifonis, Siberg Associates Inc, New York; Wilf Exton, OASIS Group plc; Michael Mancini, BDO Consulting; Colin Cusack-Thoms, Adaptation Ltd; Graham Gould, COBA-MID; Richard Archer, HMSO; Eric Hefner, Sequent Associates; John Forster, Confined School of Management; Brian Twiss, Technology Management and Forecasting; Mark Goodridge, ER Consultants; Contact: UNICOM Seminars  
Tel: 0895 256484 Fax: 0895 813095  
LONDON

**JUNE 8**  
**BUSINESS PERFORMANCE MEASUREMENT**  
The Instruments of Corporate Change  
A half-day seminar for senior executives wishing to explore the issues involved in developing and introducing new performance measurement and reporting concepts. Featuring David P. Norton, President Research Strategy Group, co-founder and former President of Nolan Chart & Co.  
Contact: Business Intelligence  
Tel: 081-544 1830 Fax: 081-544 9020  
LONDON

**JUNE 8-9**  
**CLIENT SERVER REPORTING**  
THE ENTERPRISE  
Europe's leading conference and exhibition on Executive and Management Information Systems. A major conference programme which gathers many of the world's best thinkers, practitioners and case studies, with the aim of helping organisations link EIS to business goals.  
Contact: Business Intelligence  
Tel: 081 544 1830 Fax: 081 544 9020  
LONDON

**JUNE 22**  
**CORPORATE CAPITAL AT RISK: LLOYD'S EVOLUTION OR REVOLUTION?**  
Fundamental and irreversible changes are underway at Lloyd's of London. This conference will discuss and debate the introduction of limited liability corporate capital to the market and speakers will include David Rowland, Chairman, Lloyd's of London, and Peter Middleton, Chief Executive Officer. Essential for senior executives.  
Contact: Helen MacKay, Lloyd's of London Press Ltd  
Tel: 44 (0) 71 250 1500 Fax: 44 (0) 71 253 9907  
LONDON

**JUNE 27 - AUGUST 5**  
**THE LONDON SCHOOL OF ECONOMICS**  
is offering intensive, academically-challenging, examined and certificated programmes in the following subject areas: Management, Accounting and Finance, International Studies, Philosophy and Criminology. The courses, arranged in two, three and seven sessions, attract an international audience from professional, business and student communities.  
Contact: Nicola Minkin  
Tel: 071-955 7533 Fax: 071-955 7675  
LONDON

**JUNE 28-30**  
**PARALLEL PROCESSING COMES OF AGE: REAL APPLICATIONS FROM INDUSTRY AND COMMERCE**  
International speakers, including Shell, Netherlands; Jeff Davidson, American Airlines; John Mott, Carat; John Murphy, representing TPC; Gunter Backler, AVL, Austria; Hans Forster, European Commission; Brian Twiss, British Aerospace; Bill Edisbury, TSB; Tim Thompson, Perceptics Europe; Guy Hoar, Rover Group; Roger Williams, Bess Thwaites.  
Contact: UNICOM Seminars  
Tel: 0895 256484 Fax: 0895 813095  
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Contact: UNICOM Seminars  
Tel: 0895 256484 Fax: 0895 813095  
LONDON

**JULY 6-7**  
**THE LEADING EUROPEAN LEASING FORUM**  
The Mediterranean region hosts a rich mixture of gas markets, trade and supply features which have brought together international gas traders, gas markets based on local production, those developed on imports and diversified international importers. Key players involved in these aspects will assemble, assess and discuss the regional issues. Contact: Roger Hughes, Overseas Conferences  
Tel: 071-613 0067 Fax: 071-613 0094  
ISTANBUL

**EXHIBITIONS**  
**APRIL 12**  
**EXHIBITION OF EMISSIONS MONITORING EQUIPMENT**  
LEEDS, WESTWOOD HALL, OTLEY ROAD, 10.00-18.00  
This exhibition will give you a glimpse into the future of air pollution. 40 of the key companies involved in the manufacture or supply of equipment. Single day attendance at short course on "Industrial air pollution monitoring" also possible. Launch of new "Directory of Emissions Monitoring Equipment Suppliers" (price £25).  
Contact: John Charlton, Taylor & Francis, Univ. of Leeds Tel: 0532 332494/332511 Fax: 0532 332511/440572  
LEEDS

**APRIL 19-20**  
**FOUNDRY UK 94 EXHIBITION**  
The UK's premier exhibition for the foundry industry is being held alongside the BCTA 94 International Conference, Arts Centre, University of Warwick, Coventry. For free admission tickets contact: Gabrielle Mendis, FMA International Publications Ltd  
Tel: (0757) 708811 Fax: (0757) 701685  
COVENTRY

**APRIL 20-21**  
**COMMERCE EUROPE 94 FORMULATE 94**  
An exhibition designed to highlight developing and future trends in organic intermediates, specialty, performance and fine chemicals, together with an exhibition providing pharmaceutical ingredients and excipients.  
Contact: Jane Macleod-Cox  
Tel: (0737) 769611 Fax: (0737) 761885  
LONDON

**INTERNATIONAL**  
**APRIL 25-27**  
**3RD INTERNATIONAL FINANCIAL SERVICES CONVENTION FOR THE MIDDLE EAST**  
The new Frontiers in Financial Services. Subjects: Retail banking, cards & payments, private banking and investment management. Speakers: Experts from Arab and international financial institutions.  
Contact: Mouna Comzi, Lafferty Conferences  
Tel: (4353) 1 671 8022 Fax: (4353) 1 671 3394  
DUBAI

**MAY 3-4**  
**OCCUPATIONAL RETIREMENT SCHEMES IN HONG KONG**  
Contact: Hoi  
The conference explains how to set-up or improve your retirement plan under the new rules of the "Occupational Retirement Schemes Ordinance". For further details please contact Paula Bley, European Publications Pk  
Tel: 071 779 8763  
HONG KONG

**MAY 5 & 6**  
**3RD ANNUAL MEDITERRANEAN GAS MARKETS**  
The Mediterranean region hosts a rich mixture of gas markets, trade and supply features which have brought together international gas traders, gas markets based on local production, those developed on imports and diversified international importers. Key players involved in these aspects will assemble, assess and discuss the regional issues. Contact: Roger Hughes, Overseas Conferences  
Tel: 071-613 0067 Fax: 071-613 0094  
ISTANBUL

**MAY 10-11**  
**VIDEO-ON-DEMAND: The New Economics of Home Cinema**  
Hotel Royal Monceau - Paris  
This dynamic conference will cover the emerging Video-On-Demand, Video and pay TV industries and focus on Market demand, new technology and the companies leading industry development.  
Contact: Patricia Baynton, Kagan World Media Limited, Telephone: 071 571 8880, Fax: 071 371 97166  
PARIS

**MAY 12**  
**CREDIT ANALYSIS - SECURITIES FIRMS**  
Thomson BankWatch, the international credit rating and analysis agency, is running a workshop to help in the difficult task of analysing and assessing the creditworthiness of Securities Firms. This is a practical workshop which includes a case study and rating discussion.  
Contact: Dianne Gray  
Tel: 071 212 510 0809 Fax: 071 212 572502  
NEW YORK

**JUNE 2-3**  
**PRIVATISATION & INVESTING IN THE EASTERN MEDITERRANEAN & BLACK SEA ECONOMIC CO-OPERATION ZONE**  
Examining the development, progress & prospects of programmes in Turkey, Greece, Egypt, Ukraine, Russia, Romania & Bulgaria. Presentations from senior ministers & investment agencies, industry & privatisation specialists.  
INTERFORUM Tel: (4400) 71 386 9322 Fax: (44) 071 381 9914  
ISTANBUL

**JUNE 12-15**  
**THE CANADIAN STANDARDS ASSOCIATION 1994**  
CSA is holding its 1994 Conference this year in Toronto, Canada, to help organisations meet the challenges of an evolving global marketplace. CSA's 1994 Conference will explore some of the key mechanisms available for "bridging the barriers" to enhanced trade.  
To receive the complete conference program, please contact CSA's Conference Services at Tel: 416-747-4129 or Fax: 416-747-4292  
TORONTO

**JUNE 12-14**  
**THE EUROPEAN FOOD AND DRINK INDUSTRY CONFERENCE**  
The food and drink industry is going through difficult times: manufacturers and distributors are being squeezed as prices and margins are forced downwards. This conference presents actions and solutions; how to strike a balance between industry constraints and future business development.  
Contact: Louise Thomas, Management Centre Europe, Brussels  
Tel: +32 2 516 19 11 Fax: +32 2 513 71 08  
BRUSSELS

**JUNE 16-17**  
**REALISING THE POTENTIAL OF THE CENTRAL & EASTERN EUROPEAN LEASING INDUSTRY**  
Hilton Hotel, Vienna  
The conference provides a complete guide to the leasing industry in central and eastern Europe.  
For further details please contact Paula Bley, European Publications Pk  
Tel: 071 779 8763  
AUSTRIA



# THE MONDAY People page

## Fortune hunting in east Europe

Gabor Varszegi, former rock star and diamond trader, tells Nick Denton how he became the region's richest man

Gabor Varszegi, chief executive of Hungary's Fotex retailing group, likes to show off the view from his penthouse office. The Fotex Plaza, the company's imposing post-modern headquarters in the Buda foothills, towers over the commercial centre of Pest. It is lonely at the top. No nearby building reaches even to the Fotex Plaza's knees. Nor does anyone come close to rivaling Gabor Varszegi as eastern Europe's richest individual.

A 23 per cent stake in the Fotex group and other interests add up to a personal net worth of well over \$100m. Some investment bankers call Fotex "the best private business in eastern Europe". Its subsidiaries dominate a whole swathe of retailing in Hungary from household goods and cosmetics, to furniture, photograph developing and optical products.

That is just the start. Varszegi is today in Paris as part of a roadshow to finance further expansion by raising \$100m through eastern Europe's largest ever international equity offering.

"Here you can build a serious empire in five to 10 years," says Varszegi. He began business in 1985 with a \$200,000 investment in a one-hour photograph developing shop and has expanded his empire by buying companies which the state is privatising. "It's a once-in-a-lifetime opportunity. Part of the world is on sale. It never happened before and it will never happen again."

But many east European entrepreneurs have botched this chance. In Hungary, where private business has been established the longest, most of the stars of four years ago have fallen as meteorically as they once rose.

Gabor Varszegi is a rare exception, and not just because he has survived. The stereotype of the showy, fly-by-night, vaguely criminal east European entrepreneur is all too often true. By contrast, Varszegi

is proud to call himself "conservative". "I was born this way," he says. Not that there is anything drab about Varszegi's past. He made his first, modest, fortune as a bass guitarist for Gemini, a 1970s Hungarian rock band. But Varszegi, now 46, says he was always a better manager than a musician. "I was a conservative rock musician," he says. "I always had short hair."

Since his days in the music business, Varszegi has avoided the spotlight. "I never give interviews to Hungarian newspapers." Few recognise his face; he avoids social events and photographers. He cites fear of the Russian mafia; but, like many east European entrepreneurs, Varszegi is also Jewish. Prominence invites attention from nationalist groups and fuels their fantasies about the international Jewish conspiracy.

His caution can be seen too in Fotex's avoidance of expensive debt financing that fuelled and then crippled many growing east European businesses. "We followed a very different philosophy. We discovered early on that credit is the highest risk."

Another vital ingredient of Varszegi's achievement is ruthlessness. Colleagues describe the Fotex boss as "brutally realistic". When a cold-eyed Varszegi prefaces a sentence with "I like you very much as a person", he as often does, you know that he is coming in for the kill.

Varszegi's uniqueness owes something to his time in the west. He gave up music to emigrate to the US in 1980, worked as a diamond trader in New York and has retained his US citizenship. "I came back as an American to do business," he says.

A Fotex prospectus once aptly called the group "an island surrounded by Hungary". Fotex unashamedly targets what its chief executive calls Hungary's "high society", the tenth of the population which he reckons controls half of the disposable income. Fotex



Anthony Ashwood

offers the elite everything from gold Cartier spectacle frames to mobile telephones: an "infrastructure" for the rich. "We don't wish to deal with the average public," Varszegi once said.

The Fotex boss sniffs too at east European manufacturers - unless they are companies within his group. "Either we have to make products ourselves or we have to import them," Fotex prefers western institutional investors to fickle Hungarian stockmarket punters. Since it is not practical to import labour, Fotex hires staff in their twenties, uncontaminated by communism.

But success can go to the head of even the most westernised businesses. Some of the warning signs are there. Until recently Varszegi worked shared an office with his secretary in a villa whose modesty must have appealed to Fotex shareholders. Now he has built Hungary's most luxurious corporate headquarters.

And he has begun to indulge in "the usual tycoonery", as an adviser terms it: a Bell helicopter to lift him from the roof of the Fotex Plaza, a Beechcraft turbo-prop for longer journeys and a yacht for the occasional bout of intense relaxation.

Varszegi has enlarged his ambitions too. He who once eschewed grandiose plans, dreams of building a \$1bn-a-year company by the year 2000 and says: "I hope that one day you can say what is

good for Fotex is good for Hungary." But Varszegi has not gone soft yet. The Fotex Plaza may be a prestige building but it is also fully let at some of Budapest's highest rents while other developments stand half-empty.

It is said that Varszegi has taken to calling acquisition his hobby but he does usually draw back from the brink of over-diversification, says Paul Greatbatch, a financial adviser to Varszegi. "He knows what he is good at. Basically he is a retailer and he always comes home. He hasn't made a mistake yet."

Nor has the excitement of deal-making dampened the tycoon's enthusiasm for the essential detail of retail. He takes seriously the "quality" slogan. And he jumps over to his desktop computer to recite the exact number of customers at his stores (378 at the last count) in the previous month: 1,187,016. Of pride coming before a fall, Varszegi says he needs no reminder: "If you get richer and richer, sooner or later you lose your self-control." In any case, the moment of truth remains distant: the next downturn is probably a long way away.

And then there is the yacht and the other little luxuries. Fotex's strategy was to enable the rich to be rich. Now Varszegi has begun to listen to his own pitch. Eastern Europe's wealthiest man is allowing himself a little bit of conspicuous consumption.

## Personae

### TWA: Erickson switches sides

Last spring, Jeffrey Erickson was on the winning side of a David-and-Goliath battle which pitted upstart Reno Air against Northwest, one of the biggest US carriers, writes Frank McGurty.

With a lot of help from the US justice department, Reno's chief executive succeeded in forcing Northwest to abandon plans which he said were intended to stop his airline from expanding its services into mid-western markets.

Erickson, recently appointed president of Trans World Airlines, now finds himself on the opposite side of the great divide. His challenge is to revive another of America's flying behemoths, humbled in recent years by competition from smaller, low-cost airlines such as Reno.

That Herculean task may prove to be humbling to the 48-year-old industry veteran. Erickson is taking over a carrier which stumbled badly this winter after emerging from two years of Chapter 11 bankruptcy protection.

In January, the airline endured the embarrassing departure of two senior executives, including its chairman, William Howard, who quit under a cloud after only six months.

Howard's successor, Donald Craib, has no experience in running an airline - which can only enhance Erickson's value. After cutting his teeth in management jobs at Aloha, Midway and Continental airlines, Erickson took the helm at Reno at the time of its 1990 initial public offering.

But his record there was mixed, analysts say. The so-called "niche" carrier, with 17 leased aircraft and a mere 1,200 employees, increased losses with each year of operation. Whether Erickson can succeed in turning round TWA - with 26,000 employees, nearly 200 aircraft and a more tangled route system - remains an open question.

Kevin Murphy, an analyst at Morgan Stanley in New York, is pessimistic. He believes the airline's days are numbered, and expects Erickson to serve as a "caretaker" while it follows Pan American into oblivion.

If so, Erickson, who began his career 25 years ago as a senior engineer at Pan Am, would have travelled full circle.

### Wilmot's hopes for multimedia

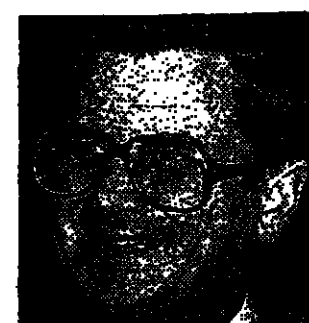
Robb Wilmot, once the enfant terrible of the UK electronics industry, is approaching 50 but his enthusiasm for all things digital seems undiminished, writes Alan Cane.

The former chairman of International Computers is spending increasing amounts of time in the US where he is busy starting new companies. He is buying a residence on the West Coast but intends to keep his riverside home in Oxfordshire.

Wilmot likes vintage boats almost as much as he likes starting companies. Since leaving ICL in the mid-1980s, he has been the motive force behind a slew of innovative but patchily successful ventures, including European chip manufacturer ES2, pocket computer-maker Poquet and Oasys, recently sold to Sybase.

Now he is caught up in the explosion of excitement over "multimedia". He foresees a battle between the big equipment manufacturers and the entrepreneurs; he is firmly on the side of the latter.

He is taking a down-to-earth approach and is eschewing grandiose schemes to run fibre optic cable to every home in favour of ways of delivering high quality services using the existing infrastructure -



telephone lines, cable, radio.

Others, inevitably, are focusing on the same approach. Some, like Microsoft, are big and powerful. How does Wilmot intend to make money? "That," he says cryptically, "is the secret", and promises greater enlightenment anon.

### Passing the baton at New York Times

Though it is a leading institution in the biggest city in the US, deep in its heart the New York Times has always considered itself a reporters' paper, writes Jurek Martin.

That tradition should be preserved with the passing of the executive editor's baton from Max Frankel, in charge for the past eight years, to his deputy Joe Lelyveld, one of its greatest foreign correspondents, and with Lelyveld's intriguing

recruitment of a new number two.

This is Eugene Roberts, an old Times-man who left to take the Philadelphia Inquirer to new heights for 18 years (and 17 Pulitzer prizes) before retiring to the garden climes of Maryland University.

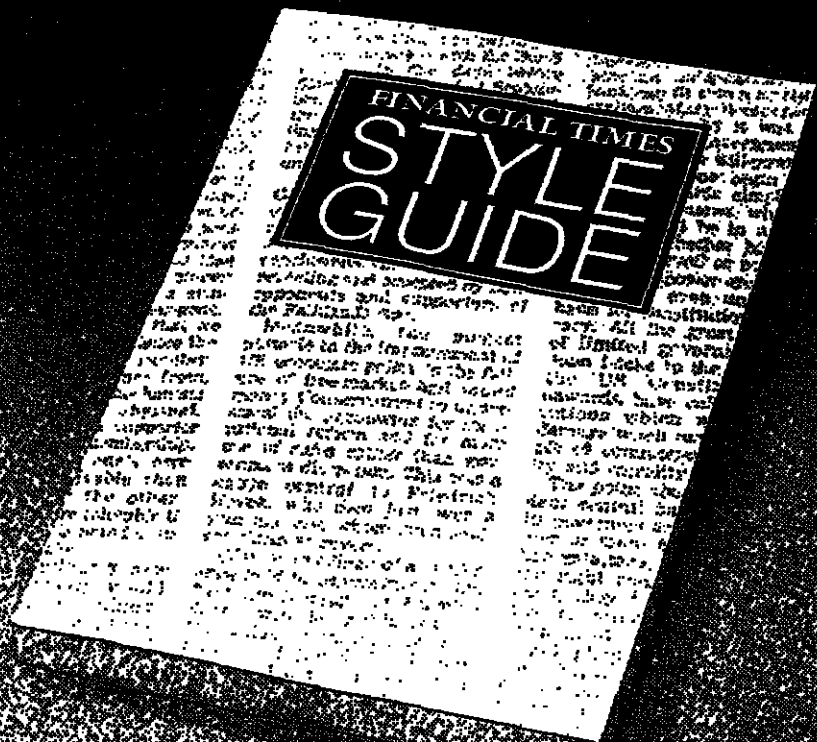
At 61, Roberts will not, barring accidents, succeed Lelyveld, 57, because of the newspaper's mandatory retirement at 65. This implies some jockeying for position among junior ranks in the years ahead, with early money on Howell Raines, editorial page editor, and Gerald Boyd, now assistant managing editor and the paper's senior black journalist.

Lelyveld and Roberts are a team of contrasts. The former is austere and quite shy. Though he reported from London, New Delhi and Hong Kong and served two glittering terms in South Africa, it is hard to imagine him wearing a safari jacket.

Roberts, on the other hand, is the quintessential green-eyed editor, a throw back to the old-fashioned hard news days now under threat from the proliferation of life-style pages that have even made their mark on the Times.

Lelyveld, the son of a rabbi, has been groomed for the top for the past four years and only the timing of his elevation comes as a small surprise. Not that Max Frankel, 64, is retiring. Like his illustrious predecessor, Abe Rosenthal, he is ascending into Times heaven as a regular columnist.

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## THE WEEK AHEAD

### DIVIDEND & INTEREST PAYMENTS

■ TODAY  
Acasos & Hutchison 5p  
Banco Bilbao Vizcaya Pta55  
Benson 0.1p  
Bermuda Int. Bond Fund \$0.2  
City Merchants High Yield  
Trust 2.4p  
Fyffes IR0.9876p  
Glaxo 9p  
Grand Metropolitan 8.15p  
Invesek 3.5p  
Islington Corp. 12.65% Red.  
2007 £5.325  
Kobe Steel FRN's 1996  
YB0350  
Phillip Morris \$0.89  
Nationwide Bldg. Soc. Var.  
Coupon Nts. 1995 £849.42  
New Zealand 9 3/4% Bds. '95  
£96.25  
Norsk Hydro 8 1/4% Bds. '97  
\$412.5  
State Bk. NSW 11 1/4% Nts.  
'96 A\$117.5  
State Elect. Commission  
Victoria 11% Gtd. Nts. '02  
A\$110  
Svensk Exportkredit AB  
\$418.75  
Kingdom of Sweden 6% Bds.  
'96 YB0000  
Warrford Invs. 2.75p  
Westminster Health 1.75p

■ WEDNESDAY  
APRIL 13  
Bradford & Bingley Bldg. Soc.  
FRN's '97 £136.05  
Do. FRN's '98 £137.16  
Central Am. Bk. for Economic  
Integration Ser. FRN's 1994  
\$14.16  
Collateralised Mtg. Secs. (No.  
11) Class B Mtg. Bkd. FRN's  
'28 £176.97  
Enterprise Oil Sub. FRN's '99  
£24156.16  
HSCB Prim. Cap. Und. FRN's  
\$42.19  
Hewlett-Packard \$0.25  
Marine Midland Fin. Inv. Gtd.  
Sub. FRN's '94 \$13.13  
Natl. Australia Bank Und. Sub.  
FRN's \$178.21  
Unitas Var. Rate Sub. Nts.  
2000 \$93.75  
Treasury 9% Ln. 2008 £4.5

■ THURSDAY  
APRIL 14  
Commonwealth of Australia  
9 1/4% Ln. 2012 £237.5  
Budgens 0.3p  
Continental Assets Trust 3p  
Cowie (T) 5.5p  
EFM Income Trust 1p  
Fairway 2.25p  
F & C Enterprise Trust 1.6p  
Do. Investment Trust 2.37p  
Kobe Steel 2.65% Bds. 1998  
Y71403  
Do. 3% Bds. 1999 Y80833  
Do. 3.2% Bds. 2000 Y86222  
Wise (Leslie) 2.25p

■ TOMORROW  
Enterprise Oil 11 1/4% Uns. Ln.  
'16 £5.8125  
Fluor \$0.13  
Forsmark Kraft. AB Gtd.  
Retract. Bds. 1989/94/99  
£268.75  
Henlys 3p  
Leo 1 Class B Mtg. Bkd.

FRN's 2035 £1916.61  
Ramsden's (Harry) 3.5p

Middle Wits. (Westr. Areas)  
R0.022

■ FRIDAY  
APRIL 15  
AIM1.5p  
Alexander & Alex. Services  
11% Cnv. Sub. Dbs. '07 \$5.5  
Alumasc 2.05p  
American Brands 12 1/4% Uns.  
Ln. 2009 £6.25  
Armitage Brothers 2.7p  
BCE Inc. C\$0.67  
Brierley Invs. NZ\$0.04  
BWD Securities 2.5p  
Cementone 1.5p  
Centex \$0.05  
Chrysler \$0.2  
Edridge, Pope 6 1/4% Ird. Uns.  
Ln. £3.125  
Do. 7 1/4% Ird. Uns. Ln. £3.75  
Republic of Finland 11 1/4% Ln.  
2009 £287.5  
Forte FRN's 1998 £1491.78  
Gardiner 0.5p  
Goode Durrant 3 1/2% Prf.  
0.875p  
Govett Strategic Inv. Tst. 9 1/4%  
Deb. 2017 £4.9375  
Hoare Govett Small. Co's  
Index Inv. Tst. 0.6p  
IOI 9 1/4% Bds. 2005 £97.5  
Do. 10 1/4% Bds. 2003 £100  
JOC Gtd. FRN's 1996 \$188.32  
Do. Gtd. FRN's 1997 \$188.32  
Jos 2.875p  
Lazard High Inc. Tst. 1.6p  
Malvern UK Index Tst. 2.3p  
Manders 5% (3 1/4% net) Prf.  
1.75p  
MEPC 9 1/4% Bds. 2004 £98.75  
Do. 10 1/4% Bds. 2003 £102.5  
Lon. Borough Merton 11 1/4%

Red. 2017 £5.625  
Met. Water Board Southwark  
& Vauxhall 3 1/2% Deb. £1.5  
Morgan (JP) \$0.68  
MR Data Management 2.076p  
Nissio Iwai 6 1/4% Bds. 1997  
Y640000  
Occidental Petroleum \$0.25  
Owners Abroad 2.1p  
Pacific Gas & Electric \$0.49  
Quaker Oats \$0.53  
Ranger Oil \$0.08  
Richards 4% (2.8% net) Prf.  
1.4p  
Do. 5 1/4% (3.85% net) Prf.  
1.44375p  
Royal Bk. Can. Govt. Sfg. Fd.  
Inc. Ptg. Red. Prf. 1.1p  
Second HSCB Index Inv. Tst.  
0.5p  
Smithline Beecham A 3.3p  
Smithline Beecham/Smithline  
Beckman Equity Uts. \$0.06086  
Soundtracs 1.48p  
Kingdom of Sweden 9 1/4%  
Bds. 97 £95  
Trans World Comms. 1p  
Trest 2.9p  
Waterman Partnership 0.5p  
Wendthorpe Prop. 9 1/4% 1st  
Mtg. Deb. 2015 £4.75  
Do 10 1/4% 1st Mtg. Deb. 2015  
£5.375

■ SATURDAY  
APRIL 16  
Cornwall Parker 1.7p  
Do. A NV 1.7p  
City of Swansea 13 1/4% Red.  
2006 £8.875  
Treasury 2 1/4% IL 2016  
£2.1288

### UK COMPANIES

■ TODAY  
COMPANY MEETINGS:  
Ramsden's (Harry), Harry Ramsden's  
Restaurant, Guiseley, 11.00  
Regina, 2A Alexandra Grove,  
Finchley, N., 10.30  
Sleepy Kids, The Mansion House,  
Ginn's Dyke, Old Redding, Harrow  
Wield, Middlesex, 9.30  
TR Pacific Inv. Tst., 3 Finsbury  
Avenue, E.C., 12.30  
BOARD MEETINGS:  
Finair  
Alpha Airports  
Bilton  
Burnham Control  
Clasid Heel  
Greenacres  
London & Manchester  
QS Hldgs.  
Wakebourne  
Interims  
Ory Estates

■ TOMORROW  
COMPANY MEETINGS:  
Freeman, London Road, Stapleford,  
Cambridge, 12.00  
Grosvenor Development Capital,  
1 Angel Court, E.C., 12.00  
Maywood Williams, Forte Crest  
Hotel, Clifton Village, Brighouse,  
West Yorkshire, 12.00  
Metcal Bulletin, Stationers' Hall, Ave

Maria Lana, Ludgate Hill, E.C., 12.00  
Porvair, The Waterman's Hall, 18  
St. Mary at Hill, E.C., 12.00  
Yorkshire-Tyne Tees TV, The  
Television Centre, Leeds, 12.00  
BOARD MEETINGS:  
Finais  
Stockways  
Bostrum  
Dewhurst  
Dolphin Packaging  
Etrich  
FR Grp.  
Hemmingsway Properties  
Lopez  
North Atlantic Smaller Co's Inv.  
Tst.  
Ross  
Scottish Television  
Tesco  
Walker Greenbank  
Yule Cotto  
Interims  
Five Oaks Invs.

■ WEDNESDAY APRIL 13  
COMPANY MEETINGS:  
British Vita, British Vita Training  
& Dev. Centre, Green Street,  
Middleton, Manchester, 2.15  
Cowie (T), The Smeaton's Vaults,  
The Brewery, Chiswell Street, E.C.,  
12.00  
F & C Inv. Trust, Merchant Taylors'

Hall, 30 Threadneedle Street, E.C.,  
12.00  
Persimmon, The Royal York Hotel,  
Station Road, York, 12.00  
Spectacles, 187 Imperial Drive,  
Harrow, Middlesex, 9.30  
BOARD MEETINGS:  
Finais  
Ashley (Laura)  
Black (A & C)  
New City & Commercial Inv. Tst.  
Nurth & Pascook  
RMC  
Savoy Hotel  
Interims  
Barry Whimlister  
Smiths Inds.

■ THURSDAY APRIL 14  
COMPANY MEETINGS:  
Lloyds Abbey Life, Millbank Tower,  
21-24 Millbank, S.W., 12.00  
Wise (Leslie), 33 Great Portland  
Street, W., 11.00  
BOARD MEETINGS:  
Finais  
Acgis  
Beardford  
Blue Circle  
Bristol Service  
Forte  
Hunting  
Ipsco  
Lamont

Ortel  
Sindal (Wm)  
Storm  
Swallowfield  
Tudor  
Interims  
Estates & Agency  
Prestwick

■ FRIDAY APRIL 15  
COMPANY MEETINGS:  
Alliance Trust, Meadow House,  
64 Pelton Street, Dundee, 12.30  
London Forfeiting, Intl. House, 1  
St. Katherine's Way, E., 12.30  
St. Modwen Properties, Butchers'  
Hall, Bartholomew Close, E.C., 12.00  
BOARD MEETINGS:  
Finais  
Campari Int.  
Eys (Wimbledon)  
F & C Pacific Inv. Tst.  
HCG Lloyds Inv. Tst.  
Shorro  
Wernbley

Company meetings are annual  
general meetings unless otherwise  
stated.  
Please note: Reports and accounts  
are not normally available until  
approximately six weeks after the  
board meeting to approve the  
preliminary results.

سكنا من الامل



# Glass-fancier's feast illuminates 4,000 years

Computerise, modernise, popularise are the watchwords of the V&A's latest gallery, writes Patricia Morison

Slowly, expensively, and not without controversy, the Victoria and Albert Museum is turning itself into a museum for the 21st century. The latest stage is the new Glass Gallery which opens on 20 April. Not only does it look good, it looks different. This is important, because the gallery marks the first step in an ambitious programme reaching into every corner of this huge museum. Three words seem to summarise the new V&A now in the making: computerise, modernise, popularise.

A first impression of the 350 square metre gallery is of colour and sparkle. Lumbered with a boring design by Edwardian architect Aston Webb, Penny Richards of Pringle + Richards Architects has created within it a light-filled, mirrored space. Green glass is used to a mesanine with a balustrade of gleaming ice-green float glass by artist Danny Lane.

A redesigned museum display used to mean violent purging. Glory be, the fashion for parsimony seems to be over. The new Glass Gallery is crisscrossed with stuff, a lot on the ground floor and twice as much again on the mezzanine which is deemed to be more for specialists than the general public. That seems a pretty artificial distinction. Miss going up the glass steps, and you miss superb Roman heads and the nostalgic sight of glass Christmas-tree ornaments, the last still in production, given last year by a German firm.

This is a glass-fancier's feast of things marvellous and ghastly, from exceptional mosque lamps to Restoration punchbells, from Lalique and Czech modernism to Pyrex cookware. The display is chronological over four thousand years, since the Egyptians used dollops of glass to make jewellery. One third of the display is 20th-century, very little previously exhibited. A dozen pieces



Breaking with yesterday's desiccated approach: Oliver Watson, curator of ceramics and glass at the Victoria and Albert Museum

get cases to themselves, such as the famous 18th-century Saracen goblet known to legend as the Luck of the Edenhalls. The mild disappointment is to find only three chandeliers; Venetian, 18th-century English and Victorian. I had hoped for a constellation.

Forty-three display cases made by Glasbau Hahn of Frankfurt mopped up two-thirds of the film cost of the gallery. Beneath the gallery windows runs one of London's most polluted streets. Since the new gallery was not to be air-conditioned, the display cases had to be as nearly airtight as possible, and yet these are so designed that a curator can open a case unaided.

Conservation made a new gallery urgently necessary. Most of us imagine that glass out of elbow-reach is durable stuff, yet this is to reckon without "glass disease".

Five years ago, a survey showed symptoms of glass disease in ten per cent of the V&A's National Collection of some 8,000 objects.

Roman and Islamic glass-making is magnificently proof against the disease, as is 18th-century English lead crystal. Scandinavian glass can sicken and, although Italian conservators dispute it, the V&A view is that all Venetian glass has this fatal flaw.

Look for sweetly surfaced on the glass in the Mirrored Tourist shop, says Dr Oliver Watson, curator of the Ceramic and Glass Department. The cause is the chemically unstable relationship of flux to stabiliser, made worse by environmental fluctuations. Crystals leach out and build up until the surface "crazles". To illustrate every curator's nightmare there is a cloudy half-shattered goblet in the new gallery.

On top of film for building the Glass Gallery, largely found from the museum's own resources, Watson had to find £115,000 for computers and a

software programme from the Gloucestershire company, Art of Memory. In the end, the Corning Glass Museum in upstate New York went halves on the cost. The system is more sophisticated than anything the V&A has used so far in its campaign to make its collections accessible and entertaining.

I have seen only a demonstration and cannot vouch for how the three computer "pods" will actually perform.

The idea is that one moves rapidly around "The Story of Glass", from film of glass-blowing through data on types, glass-artists and factories. Somewhat misleadingly, half the objects illustrated actually turn out to be in the Corning Museum, which points to one

drawback of this kind of deal. On the plus side, the video is blessedly silent.

More innovative is the electronic labelling programme. There are 6,000 objects in the new display, twice as many as in the old one. Printed labels could never supply enough data, so the curious visitor is meant to note the exhibit or shelf number, then consult the terminal.

Watson, a computer enthusiast, has achieved still more behind the scenes. His is the only department in the museum to boast a computerised catalogue. The standard catalogue for the V&A is an unmanageable set of volumes recording pieces as entered in

the collection. Particularly in early years, entries were often vague, not infrequently wrong. Selecting pieces for the new gallery revealed that many glasses labelled as 17th-century Venetian were 19th-century imitations.

It has taken three years for the department's ten members to produce a data-base of the 70,000 glass and ceramic collection. "Before, if someone asked what Venetian glass we had, it could take two days' work. Now we can give the answer at the press of a key" says Watson. Will that kind of inquiry be answered free? Probably not, he admits.

Watson sees the Glass Gallery as only the start of introducing more innovative techniques essential if the V & A is

to compete in an industry classified as entertainment, not education. "For the government to spend £30m a year is predicated on getting people in to see the stuff."

He believes that only the most desiccated curator could regret the solitude which reigned in the old glass gallery. "There simply wasn't an audience, and the only people who came wanted to see 18th-century English glass." Dim and glum, the glass stood in antiquated wooden cabinets. Take a look at the remaining study galleries, and you see at once how it was. There stand cases like a thousand obelisks, packed with beautiful things displayed in a way which induces instant torpor.

The Glass Gallery is the first of the Materials and Techniques galleries, as opposed to the Art and Design galleries, which show the material culture of an era or society.

More M and T galleries are meant to follow. Yet notices at the museum entrance, announcing that the cast iron collection is to remain closed for lack of a sponsor, are not encouraging.

Glass and ceramics are far more widely collected so they have more popular appeal. Even so, it would take ten new galleries for Watson to get the ceramic collection attractively shown.

A long road lies ahead of the V&A. At least the Glass Gallery, sparkling with interest, is a good place to measure the distance already travelled.

## Theatre Merchant of Venice

Shylock and his office computer, Bassanio amid the champagne-swilling hooray Henries; Lancelot Gobbo with his sandals and mug of coffee. . . Seeing *The Merchant of Venice* relocated into the modern world, as it is in David Thacker's RSC staging, is a very salutary shock. No Renaissance glamour here, no glowing Venetian colours. This production, new last May in Stratford and now at the Barbican, reminds us that Shakespeare's Venice is simply a hub of finance and trade. It is here a very FT world, with city gents busy at their screens.

The most distinguished such gent is Shylock. As David Calder plays him - with great distinction, and with marvelously eloquent vocal tone - he is the most civilised man in Venice. This Shylock only turns to usury and his bond because the Christian gents keep brandishing their anti-Semitism in his face. This highly tendentious reading smooths over the unpleasant fact that Shylock stipulates a pound of Antonio's flesh in the very first scene we meet him (Calder suggests this forfeit like a mere whim of fancy), and it proposes that Shylock only starts to behave like an orthodox Jew because everyone else insists on casting him as such. Shylock is more sinned against than sinning.

As far as it goes in whitewashing Shylock, this production is very satisfying. But it is better in satisfying our modern liberal instincts than our knowledge of Shakespeare's play. The Belmont scenes - Portia, the castles, and the final act of lovers' reconciliations - become grey and lightweight.

And Thacker is so p.c. that he edits out Portia's racist remark about the Prince of Morocco's failure: "Let all of his complexion choose me so". (There are other editorial alterations, too, mainly to help the new-look Shylock.)

Calder's Shylock and Penny Downie's Portia have acquired a wealth of new nuances. Too many, in fact. All of Calder's effects are individually sensitive and intelligent, but I am now aware that some of them are just that: effects. He pauses too long and too often. Downie has gained in authority, but not in conviction or fluency.

One supporting role is brilliantly taken - the Lancelot Gobbo of Christopher Luscombe, a ineffectual little character whose every silly word becomes vivid, funny, and telling. The production is better spoken than before: every word carries into the Barbican's difficult auditorium. But too many of the supporting roles are weakly played. I cannot conceive why the RSC is casting Mark Lewis Jones as Lorenzo. He speaks high-flying poetry about moonlight, love and music, with a voice so tight and manner so tense that he wrecks the scene.

This is still a bracing and exciting production. Of all the stagings that will come from Stratford to London this year, this is the one I would most urge people to see. It has changed my conception of Shylock and Shakespeare's Venice. A shame that it affords only incomplete pleasure.

Alastair Macaulay

In repertory at the Barbican

## Ballet/ Roland John Wiley

# The Sleeping Beauty

Today a producer of *The Sleeping Beauty* must compensate for lavish amenities which Tchaikovsky and Petipa enjoyed, long vanished in different moods and aesthetics of budget, yet leave a mark on this iconic work that is at once distinctive and reverent of the ballet's tradition.

Telling eternal verities again, flaunting perfect execution, and seeking fresh expression beneath the burden of authority were the challenges facing Anthony Dowell, as he revived *The Sleeping Beauty* in a new production sponsored by the Friends of Covent Garden, with financial and practical help from the American Friends of Covent Garden, given its first performance at the Kennedy Centre in Washington on Wednesday night.

Apart from Stephen Wick's superior mime as Carabosse, the uninvited seventh sister, the parable of good and evil in the new version has more the look of duty than belief, running a long second to the visual splendour of the stage.

Maria Bjornson's arresting set for *The Sleeping Beauty* is an imposing swirl of columns

and windows - presented to us as if a long perspective had been twisted and compressed. These symbols of a castle perched throughout the ballet and frame a large oval centrepiece which changes mood with each act. The distinction between its distorted angles and curves and the realistic lines and groupings among the dancers is jarring at first.

But with time the eye adjusts, and in the second act, set in winter, the effect of the decoration would be magical - so in keeping in its season with the metaphor of the sleeping kingdom - had we been spared a drop curtain of crude icicles set against a bright rainbow.

Bjornson's costumes are lavish, and run a gamut of increasing brightness.

Yet the paleness of effect is telling in the prologue and first act, making the set more intrusive and muddying the effect of Aurora's entrance - her costume in the Rose Adagio being hardly discernible in hue from the ballerina's skin.

Far from flaunting perfection, the quality of execution was mixed at the first performance. Dorey Russell is a ravishing Aurora, dancing with

pliancy and grace throughout, showing excellent line and resplendent poise. But even this wonderful artist was cautious in bringing off the prodigies of balance required by the Rose Adagio, a caution which echoed through the ranks of first soloists in slow tempo and slight mis-coordinations of gesture and music.

Zoltan Solymosi is a commanding and elegant Prince Desiré, who dazzled the audience with his frenetic turns in the last act.

Fiona Chadwick is an elegant Lilac Fairy, though lacking the amplitude of gesture that a baller dancer would bring to the part.

The ensemble dancing, after a spate of failed unions in the prologue, improved in the later acts, the polonaise and mazurka of Act III achieving an effect of genuine panache, as befits a utopia.

Throughout the production, Anthony Dowell's concern for persuasive mime is much in evidence; the artists acted with unabashed conviction.

Dealing with the weight of tradition is a dilemma, which Dowell resolved by following the best of Marius Petipa's cho-

reography while compensating for its deficiencies.

These changes bring the work of later choreographers into the ballet but do not create a stylistic disparity in the dances as conflicting as the clash of decoration and movement.

Small but fussy changes have been made in the mise-en-scène supposedly to enhance the coherence of the story for modern audiences.

In the dream entr'acte, for example - an actionless tableau in the original production - Carabosse and the Lilac Fairy appear on stage coincident with their music in Dowell's production, making explicit the triumph of good over evil.

For the purist, Dowell has preserved unmistakable accents of the 1890 production in St. Petersburg, as when the hunchbacked Desiré's tutor with little lances in Act II, and when, at the moment Desiré kisses Aurora, the vast cobwebs of a hundred years instantly fall away.

The new *Sleeping Beauty* is a production for the late twentieth century - when even timeless parable is tinged with the material and the extrovert.

## Obituary

# Kurt Cobain

Kurt Cobain has taken the quick route to pop immortality - the 27-year-old singer with the band Nirvana shot himself at his home in Seattle last week. Cobain's death seems certain to place him alongside another premature victim of excess, Sid Vicious of the Sex Pistols, who with a similar nihilist approach to society, and an extravagant drug abuse, rushed headlong to the grave.

Cobain, the child of divorced parents, had a difficult upbringing in Washington State. By the late 1980s he was playing the guitar and helping to pioneer grunge music, the sound coming out of Seattle. Grunge was directly descended from the British punk of the mid 1970s - loud, discordant, deliberately amateurish, and representing the alienated life style of youth, at odds with a complacent, ordered, adult world.

Cobain formed a trio, Nirvana, in 1986 and for 8000 produced an album, *Bleach*, which won a cult following. The band was signed up by the influential Geffen Records which in 1991 promoted *Nevermind*, combining the energy and anarchy of grunge with some



Premature victim of excess: singer and guitarist Kurt Cobain

attractive tunes. It was the perfect cross-over album and sold more than 10m copies; won many awards; and spawned "Smells like teen spirit" which topped the American charts and broke Nirvana in the UK and Europe. Another successful album, *In Utero*, was released last year.

Like many young musicians from an underprivileged background, Cobain could not cope with success. He found refuge in drugs and violence, and the extremism of his stage act followed him into his private life. His wife, a neo-punk singer,

Courtney Love, was also a heroin addict, and welfare workers feared for their child. Frances, in Rome last month, Cobain took an overdose.

Cobain briefly had a tremendous impact on a large minority of youth. He was producing music that appealed to young people who enjoyed the pretence of rebellion. If he had wished, he could have followed the path of earlier iconoclastic bands like Guns 'n' Roses into international arena touring and the making of millions. But Cobain chose to stay outside the system - and life.

## ARTS GUIDE

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandinavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

European Cable and Satellite Business TV (Central European Time)

MONDAY TO FRIDAY  
NBC/Super Channel: FT Business Today 1930; FT Business Tonight 1730, 2230

MONDAY  
NBC/Super Channel: FT Reports 1230.

TUESDAY  
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY  
NBC/Super Channel: FT Reports 1230

FRIDAY  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

SUNDAY  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730;

## INTERNATIONAL ARTS GUIDE

### BERLIN

OPERA/DANCE  
Deutsche Oper Tonight, tomorrow, Wed: Ballet Teatro Espanol de Rafael Aguilar. Fri: Don Giovanni. Sat: Fidelio. Sun: Der Rosenkavalier (341 0249)

Staatsoper unter den Linden Thurs and Sun afternoon (Apollo Saal): *Chimera's II* matrimonial segreto. Fri: chamber music by Brahms and Schumann. Sat and Sun: choreographies by Alberto Alonso and Yumi Vinos. Next Mon: Daniel Barenboim conducts first of four performances of Patrice Chéreau's production of *Wozzeck*, with Franz Grundheber and Waltraud Meier (200 4782/2035 4494)

CONCERTS  
Philharmonie Tonight: Simon Rattle conducts Berlin Philharmonic Orchestra in works by Mozart and Nielsen, with piano soloist Stephen Kovacevich. Tomorrow: Charles Dutoit conducts Montreal Symphony Orchestra in Barlow, Szymanowski, Ravel and Debussy. Tomorrow (Kammermusiksaal): Brandis Quartet plays music by Bartok, Kurtag and

Beethoven. Fri, Sat, Sun morning: Rattle conducts Messiaen and Liszt (2548 6132)

Schoenbrunn Tonight: Michael Schoenbrunn conducts Berlin Symphony Orchestra in works by Schubert, Stravinsky and Rimsky-Korsakov, with violin soloist Michael Endlen. Tomorrow: Igor Oistrakh violin recital. Wed: Jean-Bernard Pommier is conductor and piano soloist with Belgian National Orchestra in works by Mendelssohn, Mozart and Bizet. Thurs: Andrei Gavrilov plays Tchaikovsky's First Piano Concerto with RIAS Youth Orchestra. Fri: Siegfried Matthies conducts Berlin Radio Orchestra in works by Matthies, with soloists Michael Sanderling and Deon van der Walt. Sat, Sun afternoon, next Mon: Leopold Hager conducts Berlin Symphony Orchestra in Bizet, Ravel, Satie and Debussy (2090 2156)

THEATRE  
● Fool For Love (Liebestoll): one of Sam Shepard's most popular plays, about two former lovers who have an emotionally explosive reunion in a motel room on the edge of the Mojave Desert. A new Schauspielbühne production directed by Elmar Goerden has just opened at the Kreuzberger Probebühne (890023)

● Der Reigen (La Ronde): a new production of Arthur Schnitzler's cynical comedy of seduction opens on Fri at the Deutsches Theater, directed by Jürgen Gosch (2844 1225)

### NEW YORK

THEATRE  
● Passion: Stephen Sondheim's

new musical based on Igino Tarchetti's 1889 novel about a woman's unrequited love for a handsome young army captain. Directed by James Lapine. In previews, opens April 28 (Plymouth, 238 West 45th St, 239 6200)

● Carousel: Nicholas Hytner's London production of the Rodgers and Hammerstein musical has been recreated with Michael Hayden heading the American cast as Billy Bigelow (Vivian Beaumont, Lincoln Center, 239 6200)

● Medea: a transfer from London of the Almeida production of Euripides' tragedy of revenge, starring Diana Rigg. Just opened (Longacre, 220 West 48th St, 239 6200)

● Angels in America: Tony Kushner's epic two-part drama conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Poetrolia*, played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

● Four Dogs and a Bone: John Patrick Shanley's comedy about movie-making and power plays in Hollywood was one of off-Broadway's biggest hits last autumn (Lucille Lortel, 121 Christopher St, 924 8782)

● Three Tall Women: a drama by Edward Albee about a wealthy 92-year-old widow who re-examines the events of her life. Directed by Lawrence Sacharow (Promenade, 2162 Broadway at 78th St, 239 6200)

● Laughter on the 23rd Floor: Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed

by Jerry Zaks (Richard Rodgers, 226 West 48th St, 307 4100)

● She Loves Me: the 1963 Book, Hammer and Masteroff musical is a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100)

● Kiss of the Spider Woman: a musical with songs by Kander and Ebb and a star performance by Chita Rivera in the title role (Broadhurst, 235 West 44th St, 239 6200)

MUSIC/DANCE  
Metropolitan Opera Tonight: James Levine conducts Elektra, with Gwyneth Jones and Leonie Rysanek. Tomorrow and Fri: Alda with Sharon Sweet, Ghena Dimitrova, Lando Bartolini and Leo Nucci. Wed and Sat afternoon: Tosca with Maria Guleghina, Luciano Pavarotti and James Morris. Thurs: Otello with Vladimir Atlantov and Renée Fleming. Sat evening: Ariadne auf Naxos with Carol Vaness and Teresa Stratas. The season ends on April 23 (362 6000)

State Theater Joffrey Ballet is in residence till Sun (870 5570)

Avery Fisher Hall Wed: Raymond Leppard conducts Julliard Orchestra in works by Ravel, Harrison and Vaughan Williams, with soprano Darlene Bennett-Johnson. Fri: Leon Botstein conducts American Symphony Orchestra in works by Gould, Ellington, Gershwin and others. Sun afternoon: Pierre Bartholomée conducts Liege Philharmonic Orchestra in Hindemith, Britten and Rimsky-Korsakov, with soprano

Barbara Hendricks. Sun evening: Krystian Zimmern piano recital (875 5030). Next Mon and Tues in Carnegie Hall: Sinopoli conducts Dresden Staatskapelle (247 7800)

Alice Tully Hall Wed: Garrick Ohlsson joins Guameri Quartet in a programme including Franck's Piano Quintet. Sat: Martin Alsop conducts Concordia Orchestra in New York premiere of John Corigliano's *Troubadours* (guitar soloist Sharon Isbin) and works by Barber, Richard Danielpour and Jon Deak (721 6500)

PARIS  
DANCE/OPERA  
Palais Garnier Opéra Ballet presents a new full-length ballet by Angelin Preljocaj, entitled *Le Parc* and set to music by Mozart, daily from tomorrow till April 22 except Sun and Mon (4742 5371)

Châtelet Ballet Ballet gives the final performances of its current residency tonight, Wed and Thurs, devoted to William Forsythe's *As a garden in this setting* (4028 2840)

Opéra Comique There are daily performances of Werther till April 22, except Mondays and Thursdays, with alternating casts including Alfredo Kraus and Martine Dupuy. Laurent Pétillard conducts a staging by Gilbert Bliu (4286 8883)

Opéra Bastille Ballet Upshaw and Olaf Bär, accompanied by Helmut Deutsch, sing Wolf's Italian Songbook on Fri. The next opera production is *Alceste*, staged by Achim Freyer and conducted by Grahame Jenkins, opening on April 20 with a cast led by Maria Ewing and Gary Lakes (4473 1300)

CONCERTS

Châtelet Tomorrow: Pierre Boulez conducts Ensemble InterContemporain in works by Stravinsky, Zimmermann, Dallapiccola and Schoenberg, with vocal soloists Christine Whitlesey and David Wilson-Johnson. April 26, 27: Kurt Masur conducts Leipzig Gewandhaus Orchestra (4028 2840)

Théâtre des Champs-Élysées Wed: Anne Gastinel cello recital. Thurs: Leonard Slatkin conducts Orchestre National de France in works by Liszt, Szymanowski and Bartok, with violin soloist Chantal Juillet. Sun morning: Julliard Quartet. April 28: Riccardo Muti conducts Vienna Philharmonic. April 28: Georg Solti conducts concert performance of *Così fan tutte* (4952 5050)

Salle Pleyel Wed, Thurs: Christoph Eschenbach conducts Orchestre de Paris in works by Glinka, Bruch and Tchaikovsky, with violin soloist Gil Shaham (4581 0830)

JAZZ/CABARET  
Lynn White, renowned for her suave and sensual soul singing, is in residence till Sat at Lionel Hampton Jazz Club. Music from 10.30pm to 2am. April 18-30: Sonny Rhodes Blues Band (Hotel Meridien Paris Etolie, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE  
● Hamlet: Georges Lavaudant's swift, exciting new version of Shakespeare's play is in repertory till the end of the month at the Comédie Française (4015 0015)

● Le Cid: a new production of Corneille's archetypal play of Love against Honour opens tomorrow at Théâtre de Marigny, directed by Francis Huster (4258 0441)



## Samuel Brittan

## The case against Major's foes



The campaign against the British prime minister is typified by a cartoon in the Evening Standard showing a Scottish laird in a baronial hall telling his wife: "The trouble with John Major is that he just doesn't understand ordinary people!" while two retainers bring on refreshments to the sound of the bagpipes.

Old parliamentary hands used to tell new MPs: "Your enemies are your own side of the House. Your opponents sit opposite." I can merely add that I have seen nothing but hysterical, vicious and disproportionate to the faults of its victim as the long-running anti-Major campaign.

The main complaint of the anti-Major camp against the Labour party is that the latter cannot deliver some knockout propaganda blow to topple the prime minister. It would, however, be surprising if mere political opponents could rival the Tory anti-Major faction in pure venom. Things have reached a ridiculous level when cabinet discussion becomes dominated by jockeying for position for the succession: translated, this means that ministers vie with each other to seem Euro-phobic.

What, then, are the charges against the prime minister? The first, partisan one is that Conservatives are doing very badly in the opinion polls and could face a catastrophe in the Euro-elections. Governments doing badly in mid-term elections are, however, among the oldest phenomena of democratic politics. By-election losses of safe Conservative seats such as Torrington and Orpington were par for the course in the Macmillan administration. Not only is this natural, it is not regrettable. No serious student of politics ever supposed that governments should depend on a day-to-day plebiscite. The purpose of general elections is to enable voters to deliver a by-and-large judgment every four or five years. Even that is a

highly fallible system but, as Churchill said, it is less bad than any other.

Let it be conceded straightaway that the present British government is thoroughly second-rate, nowhere more so than in John Major's choice of cronies with whom he feels most comfortable. But then so have most governments been in the history of the world, except for those that have been third-rate or diabolical. To bemoan this fact excessively is to commit the cardinal sin of supposing that human progress comes from governments: it comes from scientists, artists, engineers, business leaders and less celebrated human beings acting individually or in combination. The deliberate playing down of this fact by the supposedly free market right is breathtaking.

The greatest fault of John Major is a lack of public fac-

## The purpose of government is to provide a framework for individual citizens

ity with words - he is fine in private. This lies behind almost every recent disaster. The European voting *voile face* was partly due to a hyped-up negotiating stance. The tragedy-comedy of "Back to Basics" is another example. But pause for a moment. Most of the prime minister's enemies on the right - with the honourable exception of Frank Johnson in the Sunday Telegraph - want more "Back to Basics" rather than less: that is, more self-appointed guardians of puritan public virtue probing into the private lives of people in office. Have you ever seen the anti-Majorites uttering a word of criticism of the intrusive hypocrisy of the tabloids?

The fact is that Conservative leaders since Winston Churchill have all lacked the gift of words. Eden's speeches were greeted by Ernest Bevin with the remark: "one bloody cliché after another" (pronounced "cluytch"). Macmillan, like

Margaret Thatcher herself, was mainly recognised as an orator in retirement. When he was attacked for lack of leadership, he replied that people who wanted it should look to archbishops. As for Edward Heath, it was a constant source of amazement that someone so sensitive to music could be so insensitive to the nuances of the spoken word.

I have left until last the most obvious feature of the anti-Majorites, their hostility to Europe - although they never make it clear whether they would leave the Union or not. This came about almost by accident, because European issues triggered off, although they did not cause, the departure of Lady Thatcher. One result has been that paternalists and militarists, who could not hide their disdain for the former prime minister when she was mainly associated with free market policies, have now climbed on the anti-Majorist bandwagon in her name.

Because of the infusion of this element, members of the free market right have deteriorated abysmally in quality. Whereas in the early 1980s, they supported the Thatcher government against the 365 economists who wanted more expansionary economic policies, their typical stance now is "cheap money and plenty of it". They have joined with the left in peddling the myth that there is something called "government competence" that can remove the business cycle and secure unending prosperity.

If anti-Major Tories had really read the works of their professed intellectual inspirers such as Oakeshott and Hayek, they would appreciate that the purpose of government is to provide a framework in which individual citizens and voluntary associations can follow their own self-chosen purposes. Leadership may be necessary in war (although Tolstoy had his doubts - see *War and Peace*); but there is something deeply inadequate about people who cannot get on with their peacetime lives without a scoutmaster in Number 10 blowing on a tin whistle to show them the way.

## THE FT INTERVIEW: Rudolf Scharping, leader of Germany's SPD

## Earnest about important allies



For the past 10 months, Mr Rudolf Scharping, the leader of Germany's Social Democrats (SPD), has been earnestly and anxiously seeking to prove to German electors that he and his party are "fit for government".

Today in Washington he will carry on, in effect, the same campaign - but this time directed at Capitol Hill, the White House, and the opinion formers of the outside world. If the German opinion polls hold true, 46-year-old Mr Scharping, currently state premier of the Rhineland-Palatinate, is the most probable successor to Chancellor Helmut Kohl after October's elections. Following the sharpest recession to hit postwar Germany, the SPD is seen as the party most likely to solve the problem of rising unemployment.

Yet foreign policy could be his Achilles' heel: it is the one area where German voters agree that the present chancellor is far more experienced, and Mr Scharping is an unknown quantity. Over the coming week in the US, he is keen to prove otherwise, and show US President Bill Clinton that an SPD government in Bonn would be a partner just as good as, if not better than, the Kohl regime.

As he says, with disarming understatement: "There may be a need for rather more information in America about the policies of the Social Democrats and their leader. I will very happily take the opportunity to provide that."

For a start, he is determined to knock on the head fears that a "red-green" coalition in Bonn, between the SPD and the Green party, might see Germany pull out of the Nato alliance and abolish the Bundeswehr, the German armed forces. Such Green policies, he says, are "pure nonsense".

Since he became party leader last June, his main achievement has been to shift the SPD firmly into the middle ground of German politics, away from the temptation of becoming a coalition of minority interests. "Rainbows are very pretty," he says, "but rainbow coalitions simply cannot take the strain. Only a party with a strong centre has the strength and independence to face new questions and new developments, to protect small groups and minorities and take up their ideas."

He is adamant that a Social Democratic administration in Bonn would not mean any growth in trade protectionism, in spite of the party's commitment to the protection of jobs. "There is no other economy in the world which is so [internationally] interconnected, especially in Europe, as the German economy," he says. "Protectionism makes matters worse. So does isolationism. There is no debate on that any longer. The only question is how one should organise one's open trade relations."

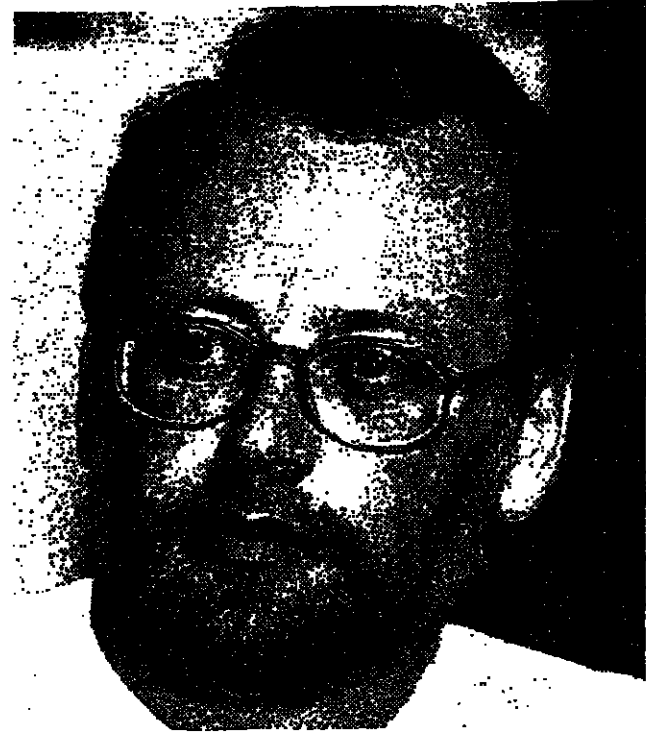
As for the European Union, he sounds as passionate a believer in European integration as Mr Kohl. "There is no domestic political reason which would justify undermining European integration," he says. He fears, however, that Mr Kohl is increasingly isolated among his own conservative allies on that issue, whereas the Social Democrats are part of a genuinely pan-European movement.

He maintains that both the EU and Nato must be open to membership of the central and east European democracies, and a central theme of his trip will be the need for the US, as well as Europe and Japan, to do more to support the fragile democracies and economies of that region.

His other main theme will be the common ground that exists between the SPD and the Clinton administration - on questions of population control and protection of the environment.

It seems that, as far as foreign policy is concerned, Mr Scharping belongs firmly in the mainstream of Germany's postwar European and Atlantic commitment. "There are various voices on the political extremes in Germany, including occasional voices even in the SPD, which say we could do without Nato, either replacing it with the CSCE or other instruments of European security policy," he says. "I believe that is wrong. One cannot give up the best functioning security instrument we have, in the uncertain hope that a new one may arise."

He is also clear that continu-



Rudolf Scharping: probable successor to Chancellor Helmut Kohl

ing US involvement in Europe is essential. "The Europeans have sadly not got very far with their own efforts at a common foreign and security policy. The example of Yugoslavia is tragic evidence of that. Europe cannot do without America's involvement, and

**Rainbows are very pretty, but rainbow coalitions simply cannot take the strain**

not only for reasons of security policy.

"In the development of world trade, help for underdeveloped countries, and in the stabilisation of the freedom process in eastern Europe, a common involvement makes more sense than for every country to act on its own."

He supports the Nato programme of partnership for peace as "a good first step" to

involve both Russia and the east Europeans in its processes. Yet after a visit to Prague last week, he also knows the urgency with which the central European states are seeking full membership of Nato and the EU.

"Perhaps they feel that they must use the present opportunity, because they don't know if the chance will be as good in five years. Perhaps they are also concerned that they don't know how things will turn out in Russia."

He says it is essential for the "prospect of membership" to be held out for the central Europeans, but equally essential to avoid "simply moving the old [east-west] border a few hundred kilometres further east". He cannot see how Russia can be given some sort of "special relationship" by Nato beyond that it has by virtue of size and nuclear weapons.

"Since no one can say today how Russia will develop, one can only set a goal: to do as much as possible to ensure it is

as stable, democratic and peaceful as possible. How that can be accomplished in detail, we will have to work out as we go along."

Mr Scharping's first foreign trip of 1994, Germany's marathon election year, was to Paris, and he still believes firmly in the importance of the Franco-German alliance within Europe. He quotes former Chancellor Helmut Schmidt as saying that, in foreign policy questions, "Germany should wherever possible follow a common path, at least with France, and the French should rather even be allowed to keep one step ahead."

As for any greater assertion of German national interest, "if you want a common [European] foreign and security policy, you should not always try to take the first step. One should not try to compel one's partners to follow."

"Germany has, thanks to its size, its population and its geography, a very strong position in Europe. It is better for this weight to be bound into Europe, otherwise we would be very rapidly back to the old axis-politics, and everyone knows where that led."

His party is in favour of a permanent seat on the UN security council for Germany, but not as a top priority. And anyway, he says, "if Germany gets a permanent seat, we would wish it to be seen as a European seat."

He denies that his party's opposition to the use of German troops outside the Nato area would undermine UN peacekeeping missions. The SPD supports the use of blue helmets, with the right to defend themselves and carry out their mission, as well as the use of military force to support UN embargoes.

"That means everything the UN has done in the last 30 years, and which it can realistically be expected to do in the coming years, can be done with German participation, as far as the foreign policy of my party is concerned."

Mr Scharping is adamant that foreign policy in Germany will not decide next October's elections: unemployment and the state of the economy will be far more important. Yet he also knows that it is not entirely irrelevant, which is why he is taking this week's trip to the US so seriously.

Quentin Peel

## ADVERTISEMENT

This statement is made on behalf of POSTABANK, 1051 Budapest, József Nádor tér 1., Hungary and compiled by Leslie Gergely

## An island in the Hungarian banking system

During the last weeks of 1993, the fiscal government extended a hand to more than forty financial institutions in the Hungarian banking system: it implemented a capital injection in which the capital adequacy ratio of the largest commercial banks and a number of small ones reached zero. But this is not surprising: financial institutions also perceive the transformation of the Hungarian economy and its long-term crisis, and it is no coincidence that the budget takes its share in carrying the burdens. Through state intervention, these financial institutions ended in a better position. The process is to last until May, according to government plans. By that time, the lowest capital adequacy ratio is planned to reach four percent.

It is natural that banks depend on the state of the economy as a whole, although not to the same extent. For example, Postabank Takarékpénztár Rt. (Postabank Savings Bank Rt.) did not have to be placed in the consolidation program. By international comparison, Postabank's capital adequacy ratio is low at five percent, but it holds its own compared to the rest of the Hungarian banks. Several factors are responsible for this favourable position. For example, the company was established five years ago not long after a two-tier banking system was established in Hungary. In fact, Postabank enjoyed the same position as new foreign- and jointly-owned banks on the Hungarian markets: it could pick and choose its clients. It has not inherited corporate ties and it did not have to bother about such debts for which there were no genuine business motives.

Finally, since Postabank's transformation, the new breed of financial-banking management with an average age of 31, working under the same President-General Manager, Gábor Princz, brought a new, dynamic style, business practice and innovation to Hungarian banking.

Naturally, Postabank does not owe its good position exclusively to the timing of the establishment. Its business policy, professional philosophy and adaptability, a special feature in a country undergoing political and economic transition, helped Postabank grow. The figures of the company's prime capital, activity, profitability, yearly dividend and the expansion of its total assets take on added meaning (although not in the economic sense) since they come from a financial institution operating in a former socialist country which shifted to a genuine market economy only a few years ago. On June 28, 1988, at its establishment, Postabank had a prime capital of HUF 2.229 billion, increased to HUF 6.505 billion by 1992 after two raises. A classic state enterprise, the Hungarian Post shared HUF 600 million among the founders but the 93 other shareholders also included the private sphere. Total assets of the bank rose to HUF 168 billion in 1993 from the closing stock of HUF 6.2 billion in 1988. At the end of 1993, the financial institution kept the account of 7155 business organizations and the closing stock on the accounts was HUF 15.5 billion. (On February 10, 1994, 1 USD equalled HUF 102.50 according to the Hungarian central bank's medium rate.)

The Budapest-based banks provide full-scale banking services not only to the corporate sphere but also to

households. This phenomenon is not unusual in the Hungarian market even in 1994. However, in the period of transition household banking services were the monopoly of practically one financial institution. Postabank, as its name indicates, has utilized the Hungarian Post: 3200 post offices joined the network to collect deposits. This figure is almost as large as the number of towns and villages in Hungary. In the first year of the decade, one-third of the liabilities were made up by household resources, and the corresponding figure was 67 percent according to the balance at the end of December 1993. Accounting-keeping for households has been a practice for two years. In 1993, the range of services expanded with the introduction of large-capacity current account system and its standard has been expanding to a great extent. By the end of last year, household liabilities reached HUF 112.5 billion; 42 percent of the stock is payable on sight, 31 percent is fixed for one, two, three or seven months, 18 percent for a year and nine percent of the deposits are of monthly-bracketed interest rates maturing in a year.

The transforming economy also brought to light the fact that a large number of companies in Hungary are insolvent or have tremendous debts. Amid such conditions, lendings of Postabank cannot be compared to financial institutions' activities in a stable country but, in fact, not even to such activities of a number of Hungarian banks. According to President-General Manager Gábor Princz, the bank dealt with a significant volume of bills of exchange trade in addition to short-term lending, and most of Postabank's loans with over one-year maturity were used by its partners to finance the establishment of exportable activities. Financial leasing is not a common practice in Hungary; however, Postabank has been dealing with it for years. Its range of partners includes a large number of private entrepreneurs. All this is happening at a time when the number of solvent clients is drastically decreasing. This was when Postabank transformed its debtor qualifying system and established a differentiated interest policy.

The president of the State Banking Supervision, selfcritically, called commercial banks a mystery as many of them have not long had a chance to write off bad debts for long. Postabank is an exception. Whoever gets involved in the five-year-old company's raise of capital will not face a mass of bad debtors and thus the fate of the investments will not be a mystery-just the opposite. The financial institution shares 5.3 percent of the accumulated total assets of the Hungarian banking system, its taxed profit ranks third and its prime capital proportionate taxed profit is second. The 1990 raise of prime capital of the financial institution transformed it into a joint-venture bank: Postsparkasse and the Wiener-Allianz Versicherung AG, both of Austria, acquired a 16 percent share in Postabank. By the end of 1991, the Wiener-Allianz insurance company sold five percent of its share to E.A. Generali. As a result, the foreign shareholder. When doing business with this young financial institution, clients of Postabank find a good and reliable partner.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## Government should act on electronic mail confidentiality

From Mr P S Meier.

Sir, By chance I have been exposed to a furious debate in the US over the use of private individuals of military-strength encryption. I simply want to be able to send confidential information, some of it about personnel matters, by electronic mail from my business in Kent to my home in Shropshire. The most useful e-mail facilities are on the Internet, but such facilities are far from confidential, which brings up the need for encryption.

In addition to my humble use of it, I would argue encryption is essential for several new commercial services to develop over the Internet which will benefit us all in time by lowering transaction costs.

Applications in publishing and software distribution have already sprung up which depend on encryption. Rather than give a long list of examples, I ask you to imagine whether you would want your credit card details to be broadcast en clair round the world. If, like me, you would not, you need encryption to buy and sell over the network.

The debate, which has not

started properly in the UK, is about whether the government should either ban the use of encryption by private individuals, or limit its use to some system, such as the American Clipper chip which can be hacked by government. In the US, the Netherlands and, I believe, France, such restrictions are already being debated by their legislatures. Their concern is supposedly about law and order.

My concern is that restrictions should not be imposed in the UK without a proper public debate. Strong encryption software, PGP for example, is now widely available worldwide.

Those crooks who need it already have it. An opportunity for significant economic development of the Internet could be lost if governments are able to push through ill-conceived restrictions just because the subject seems too obscure for most of us to take an interest.

P S Meier, Cranbrook Engineering, Stone Street, Cranbrook, Kent, TN11 3TB

## Competitiveness is not at risk from strong labour movement

From Mr Robert Phelps.

Sir, Clearly discussion of the merits of a social clause in international trade is hotting up. But the assumption that a country's competitive edge in world trade is necessarily sharpened by the absence of a strong labour movement can be questioned.

In an economy where labour is repressed, unskilled labour is likely to be repressed the most. The result, since manufacturing workers are usually more skilled than those in most services, is to discourage the production of tradeable goods. Service-sector output expands, compared with an economy with market-determined wages, as intra-marginal profits are the higher. As service-sector output expands relatively, its price falls rela-

tively. An effective revaluation of the currency results and competitiveness is lost.

In such an economy, the development of a strong union movement would ideally raise the relative level of unskilled wages, correcting the tradeable, non-tradeable imbalance and bringing an effective devaluation to retrieve competitiveness. If this is correct, the International Confederation of Free Trade Unions is being far from protectionist ("A bid to push the world to rights", April 5) in seeking global acceptance of workers' rights.

Setting further barriers to expansion of exports from an uncompetitive economy may be the wrong way to proceed.

Robert Phelps, Residence La Reserve, Ferney Voltaire, France

## Confused ideas about objectives of human resource management

From Mr Duncan I Brown.

Sir, Sue Fernie and David Metcalfe's criticisms of human resource management (Recruitment, April 6, UK edition; April 8, international) betray both a lack of understanding of the concept, and of what personnel specialists are trying to achieve in applying it. HRM was in large part a reaction against prior over-specialisation and the lack of business impact of the personnel function which had helped to create the appalling industrial relations record and rigid work practices of UK companies in the 1970s.

"Measuring and monitoring the HR function" is the subject of a major conference for personnel practitioners in June, and it demonstrates that they are indeed evaluating what their contribution is. And the standard they are applying is not that of Fernie and Metcalfe - subjective view of good management/employee relations, for its own sake. It is instead a demonstrable contribution to improved business performance and the achievement of the organisation's strategic goals.

The research only reinforces my opinion that the titular allusion to people with "lots of pretensions but few practical results" rests more appropriately with business academics than with those HRM practitioners who have been making major strides in fighting "The British disease".

Duncan I Brown, Towers Perrin, Forster & Crosby, Castlewood House, 77-91 New Oxford Street, London WC1A 1PX

From Mr Mark McKergow.

Sir, I fear Sue Fernie and David Metcalfe may have been asking the wrong question. By asking managers responsible for personnel matters to rate management-employee relations on a seven-point scale, they have collected data on those managers' own perception of the states of their organisations. Fernie and Metcalfe go on to confuse these perceptions with the "actual" state of these organisations. It is surprising, then, that managers who use HRM methods are

more aware of the problems they have with their people, see the benefits of improving things and rate their current position accordingly modestly, whereas those who do not are satisfied with things as they are and report good results?

Would Captain Bligh have reported good relations with the crew of the Bounty? I suspect so. Mark McKergow, principal, Mark McKergow Associates, 6 Auburn Road, Redland, Bristol BS6 6LS

From Mr Tom Barry.

Sir, The notion of measuring "better management-employee relations" illustrates precisely why many HR professionals are not delivering: (1) The HR function's objective must be to help a company achieve its business strategy by maximising the performance of its employees. If professionals believe better management-employee relations are a measure of their function's success, they will never find a place on the board. (2) The assumed validity of the notion of "management-employee relations" is indicative of the continuing prevalence of command-control management style. In our experience, a manager who still considers himself a "boss" will not get the maximum out of people. A manager who says he wants to "empower his employees" will not get the maximum out of his team.

Why not? Because individuals empower themselves. And when do they empower themselves? When they recognise the self-interest in the job they are performing.

Individuals do not take a job just to further the business goals of the company. They take a job to further their personal goals. Only when the two coincide can a company hope to maximise the commitment of its people, and thus facilitate the attainment of its business objectives.

Tom Barry, managing director, Blessing/White (Performance Improvement), Sir Henry Darvill House, 8-10 William Street, Windsor, Berkshire SL4 1BA



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# FINANCIAL TIMES

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Monday April 11 1994

## Supersonic subsidies

Europe's three largest aerospace manufacturers have a problem. All are suffering from a weak civil aircraft market and cuts in spending on defence, which has long provided much of their most lucrative business. Despite heavy restructuring, two of the companies, Airbus Industrie of France and Dasa of Germany, made losses last year. The third, British Aerospace, is only just profitable.

Apparently in quest of a solution, the companies have fallen back on a well-tried industry ploy - a costly prestige project calculated to set politicians' pulses racing. This time, it is a joint feasibility study for a long-haul supersonic airliner. The companies argue that the scheme would give Europe a head start in the race to build the next generation of commercial aircraft.

The more fact that the project has been dubbed "Son of Concorde" should cause taxpayers to shudder. The Anglo-French programme, subsidised to the tune of more than \$7bn in today's money, produced only 14 operational aircraft. The sole customers were the two countries' state-owned, flag-ship air lines, which acquired their Concorde at knockdown prices. Though BA has turned its fleet into a cash-spinner, Air France has not even managed that.

### Unsettled market

The dangers of the fiasco being repeated seem all too clear. In contrast to the European Airbus, which has thrived by focusing on established airline needs, the project aims at an untested market. Recent experience also suggests the premium prices which airlines would need to charge to make a supersonic service viable are acutely vulnerable to recession. The manufacturers' talk of making as many as 1,000 aircraft and of big potential demand on Pacific Rim routes sounds highly speculative.

So, too are estimates of the programme's cost, which has been put as high as \$10bn - much of which governments would be expected to finance. In one sense, the exact figure is almost irrelevant. As the sponsors of Concorde discovered, beyond a certain point it can be as expensive to cancel a white elephant project as to see it through to completion.

## Anglo-German understanding

The post-second world war partnership between the UK and Germany - once dubbed "the quiet alliance" - has become uneasy. Anti-German jingoism in the British press, for example over the UK's plans to involve Germany in next year's end-of-the-war celebrations, has been accompanied by differences on policy issues. The good personal relationship between Mr John Major, the UK prime minister, and Chancellor Helmut Kohl has had little impact on broader ties. An international opinion poll last week indicated mutual trust between Britons and Germans well below the confidence each country's citizens feel towards Japan and the US. It is time to take seriously these resentments and misunderstandings, and to consider what can be done about them.

The problems are more pressing because the strains of German unification are likely to persist. The misguided opposition to unification of the then Mrs Margaret Thatcher has left a legacy of bruised German feelings. Britain, for its part, is irritated when the Germans flex their muscles, for instance during Bonn's 1991 drive to give Croatia diplomatic recognition. But the UK is also disturbed by German weakness in failing to control post-unitary budget deficits or to play an adequate role in international peacekeeping.

### Striking tensions

Over Europe, there are striking tensions. Any attempt to relaunch monetary co-operation will be bedevilled by memories of both sides' mishandling of the UK's departure from the exchange rate mechanism. Last month's British debate over European Union voting weights was also apparently caused in part by London's failure to realise that its position would not be backed by Bonn. Mr Major is still caught between fears of being ensnared in a German-dominated federal Europe and of being excluded from a Franco-German "core". Yet, in reality, the UK's chances of avoiding either outcome have grown. Germany's stance on Europe has become closer to Britain's, manifested by Bonn's support for EU widening, as well as by the German electorate's scepticism over economic and monetary union.

As these examples indicate, far more unites the UK and Germany than separates them. Rather than increasing Germany's dominance, the incorporation of economically ravaged eastern Germany has in some ways narrowed Anglo-German differences. United Germany's per capita gross domestic product is only about 10 per cent higher than the UK's, on a purchasing power parity basis, although western Germany's is about 25 per cent higher.

### Similar problems

Germany's financial and business sector is also, under the strain of recession, responding to Anglo-Saxon influences. The size and effectiveness of German capital investment in the UK, the large numbers of German students at UK universities, and the good relationships enjoyed by British military personnel in Germany all point to matching Anglo-German temperaments and attitudes. Many problems are similar, too: high unemployment, strains in the welfare state and a vicious strain of racism among them.

To improve Anglo-German understanding requires action on a broad front. Political parties should learn to co-operate better, for example in the European Parliament. Business and trade union leaders should pursue mutual understanding and common cause in international institutions. Traditional exchanges, such as the annual King's College conferences, which have brought together politicians, academics, business people and journalists for 44 years, should be widened in scope and participation. There is a special need to counter ignorance among ordinary British people about life in modern Germany. The two governments, backed by business, should try to broaden links through wider exchanges of young people at the educational, cultural and sporting levels, and in broadcasting, perhaps along the lines of successful Franco-German projects.

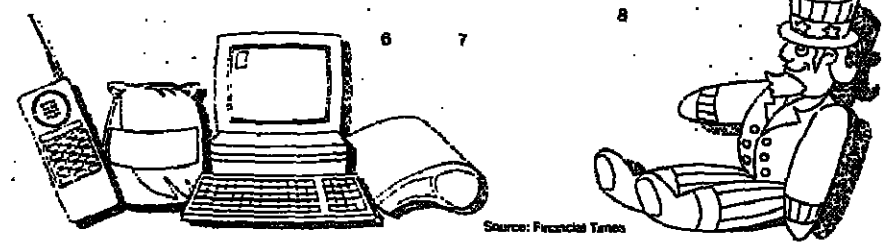
Once divided in two world wars, the two countries have been united by nearly half a century of joint attachment to parliamentary democracy and economic liberalism. That unity will only be deepened by a sustained act of will-power on both sides.

## US retailing: an overseas spread

Number of stores outside the US (excludes joint ventures, shops operated by licences and in-store shops)

	Canada	Mexico	UK	Germany	France	Netherlands	Belgium	Luxembourg	Denmark	Sweden	Italy	Spain	Portugal	Switzerland	Austria	Czech Rep.	Slovakia	Singapore	Japan	Australia	Taiwan	Hong Kong
Woolworth	1297	46	35	589	19	41	13	2			28	8									485	1
Toys R Us	50		45	44	25	4	2					17	2	4	5				3	16	7	3
Timberland				1	2	2					2											
Wish Kitchen	5		21		5																	
Kmart	127																					
The Gap	59		40		1																	
Price/Costco	37		6	1																		
Sears Roebuck	108		36																			
Tandy																						
Safeway	229																					
TJX	27																					

\*Trading under a wide range of names including Woolworth. \*Department stores only. \*\*\*Trading as Computer City. \*\*\*\*Trading as Wines Apparel.



When US retailers start expanding overseas, something must be wrong at home. By and large, ever since the nation's first trading post opened, US store groups have held the view that the domestic market offers such vast potential for growth that there is no need to look anywhere else.

A saturated home market is forcing US retailers to look for growth opportunities abroad, says Richard Tomkins

## A long walk for the shops

Listen, for example, to Mr Leslie Werner, chairman and chief executive of The Limited, the US fashion retailer, rejecting the idea of international expansion in his company's last annual report: "I believe that our customers and shareholders are best served when we focus on our immense opportunities in the US. Sales of \$10bn, perhaps \$20bn, are within our grasp, right here. Considering the complexities of retailing overseas, I do not yet see similar volume and profit opportunities from global expansion."

Yet suddenly, sentiments like these are beginning to sound out of date. Toys R Us, the toy superstore group, has already opened in 15 countries outside North America and plans to add Denmark, Sweden, Saudi Arabia and the United Arab Emirates to the list this year. Kmart, the discount store operator, has bought 13 stores in the Czech Republic and Slovakia, and is about to open two stores in Singapore. Price/Costco, the membership warehouse company, is already in Canada, Mexico and the UK, and plans to open stores in Taiwan and Korea this year.

This is not the first time US retailers have explored overseas. Woolworth took its "five-and-dime" variety stores to the UK and Germany in the 1930s, and there have been sporadic adventures by US companies since. But the current interest is on a much bigger scale than anything seen before.

From the US retailer's point of view, the most satisfactory explanation is that this is a case of sheer opportunism. US retailers are among the most innovative in the world, at the forefront of developing

new shopping formats such as discount stores, specialty superstores and electronic home shopping. It would be more surprising if they failed to exploit that competitive advantage overseas, particularly when trade barriers are falling.

But there is another factor driving them to do what they have so rarely seen as necessary in the past: the US no longer provides the opportunity for seemingly limitless growth. Over the years, retail square footage has increased so rapidly that the market has become saturated. If the market itself were growing, this might matter less; but, notwithstanding an upward blip in sales reported by some US store groups last week, retail sales have barely changed in real terms over the past five years.

Worse, few can see a day when the growth rates of the past will return, even when people have more money in their pockets. Partly, this is because the US population is ageing, and older people spend less in the shops. But industry analysts say the bigger factor is the sociological trend that the consumer excesses of the 1980s have given way to a new era of thrift and conservatism.

According to Mr Ed Meyer, chairman and chief executive of the New York agency Grey Advertising, US consumers are reassessing their lives in the 1990s in much the same way as US companies are re-engineering their businesses. "They are putting the brake on their whole approach to living," he told a retailing conference in New York. "They are not just limiting their spending, they are cutting back on their wants and their needs."

Whether or not Mr Meyer is right, the fact remains that almost the only opportunity for a retailer to increase sales in the current state of the US market is to capture market share at someone else's expense.

Yet the competitive pressures have become so intense that few companies introducing a successful format can hope to keep their edge for long. One of two things tends to happen: everyone jumps on the bandwagon, leading to saturation of the emergent sector, or someone comes along with a better idea.

Take warehouse clubs - the big retailing phenomenon of the 1980s. Mr Sol Price, inventor of the concept, had barely opened his first warehouse before other operators moved into the market. By the end of the decade there were too many warehouses for too few customers, profits began to dwindle, and a wave of consolidation set in. Last year Mr Price's ailing warehouse operation was taken over by the rival Costco, to form Price/Costco.

Or look at electronic home shopping. As currently understood, this means parading goods on television

Mexico this year. But will it work? Few previous US ventures into overseas retailing have survived. Most, coincidentally, ended in the 1980s. Woolworth sold its UK general merchandise stores; Sears Roebuck pulled out of Spain and Latin America; J.C. Penney sold its Sorma stores in Belgium; Safeway sold its UK supermarkets after a leveraged buy-out; Schering-Plough sold its worldwide Scholl chain; Singer sold its worldwide chain of sewing machine shops; Tandy demerged its electronics shops outside the US; Zale sold its UK jewellery shops; and Wickes went bankrupt, leaving its European do-it-yourself stores to fend for themselves.

Today's adventurers acknowledge that expansion abroad has its perils. Mr Larry Bouts, international division president of Toys R Us, says it is a brave company that risks taking its eye off the ball in the competitive US market to start up overseas, and companies entering the European market need nerves of steel to contemplate the much higher costs of property, labour and distribution there. Mr Warren Hoshagen, senior vice-president (finance) of The Gap, the fashion store chain, says the dilemma faced by retailers going anywhere abroad is that they have to adapt their formula to suit local conditions, yet in doing so they risk undermining whatever it was that made them successful in the first place.

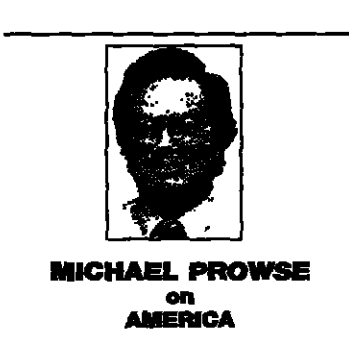
It might all be different this time though. Woolworth was profitable in the UK for decades before its retailing formula became outdated, and the company is still in overseas markets as a specialty retailer with its Foot Locker sports shoe chain. Other US retailers entering overseas markets are more aggressive and experienced than their predecessors. In the food service sector, the phenomenal success of McDonald's has demonstrated that US products and US retailing techniques can prove a devastating combination when applied effectively. Retailers of the world, beware.

## Matriarchal era in the making

Why does Hillary Rodham Clinton attract such venomous criticism, especially from males of a conservative bent? I suspect the attacks reflect her gender as well as her politics: some men are unsettled by the presence in the White House of a genuinely powerful First Lady.

This thought was prompted, oddly enough, by a history of intellectual ideas: Richard Tarnas's *The Passion of the Western Mind* (Bantam Books, \$16). Tarnas, a Californian academic, believes we are about to experience a transformation in our "world view" as profound, say, as the shift from classical Greek culture to medieval Christianity. It will involve the "death" of the aggressive male ego and its replacement by a more inclusive, holistic, feminine approach to the world.

Nonsense, I thought at first. Yet change is under way. The shift of women out of the home and into the market economy in recent decades is an economic and social transformation without precedent in western history. As women gain influence in every sector, from medicine to financial services, they surely will begin to shape the world in their image. In contrast to past per-



MICHAEL PROWSE ON AMERICA

his thesis is that the rise of women is necessary to resolve an impasse in a western cultural tradition long dominated by masculine values.

The absence of women in any list of great minds from Plato to Freud, he claims, reflects the nature of western man's intellectual quest as much as social repression. Man started in a state of primordial unity with nature, worshipping "earth-goddesses". But from the Greeks onward, he strove to differentiate himself from the natural world and to dominate it. By exploiting a cold and fiercely rational intelligence, he scaled breathtaking intellectual heights: in the age of Newton and Descartes, everything seemed within his grasp.

economic miracles, but has not led to harmonious relations between people nor catered for spiritual needs. The "green movement" is just one element in what is likely to be a more general "feminisation" of social and economic relations. The intellectual rebirth of the 21st century will require a new synthesis, stressing holistic approaches to knowledge, "oneness" between man and nature, and participatory solutions in the social sphere.

Is this merely politically correct verbiage, designed to placate feminists? Not necessarily. Tarnas admittedly fails to realise that less competition and individualism in the economic sphere would have disastrous consequences for living standards. Nor is it clear that masculine and feminine values can be separated in the way he claims: as women take on the former functions of men, their values may change. Mrs Clinton seemed to be more macho than nurturing in her career as a cattle futures trader.

Yet Tarnas is surely right to pinpoint the rising influence of women as the most significant social trend of our times and to link this with perceived (if often illusory) shortcomings in a network of beliefs and institutions, or world view, created largely by men.

## A peer into Orwell

When will Britain's leading Tories stop trying to recruit George Orwell to the cause of sentimental English nationalism?

First, the prime minister quoted Orwell's evocation of a slumbering England of warm beer and "... old maids basking in Holy Communion through the mist" in a St George's Day speech last year to the Conservative Group for Europe. Now we have employment secretary David Hunt, in a recent pamphlet on *Conservatism and the Social Market*, quoting Orwell on "the gentleness of the English civilisation" and that "England resembles a family".

But the point about Orwell is that he did not want his English readers to wallow in complacent self-congratulation. Just before Orwell's biting maids, for example, come the "queens outside the labour exchanges". And the gentleness which Hunt finds so appealing was, to Orwell, "mixed up with barbarities and anachronisms".

The selectivity of the quote about England resembling a family is even more crass. As Orwell's *The Lion and the Unicorn* (subtitled *Socialism and the English Genius*),

makes clear, England is "a family with the wrong members in control". A phrase that might, indeed, sound rather chilling to the most unpopular Conservative government this century.

### Old bean

Tony Wood, our man in Kigali, was busy juggling calls from stranded British ex-pats, the Belgian authorities planning an evacuation and Britain's embassy in Kampala, when the FT finally got through to him. Britain's honorary consul in Rwanda - a retired coffee trader - insists that it's still "one of the best countries in Africa", but doubts that he will ever return. Given that he's 94, that's understandable enough, and anyway he has pressing matters back home. Leyton Orient, the football club he chairs, has just sacked its manager - Peter Eustace.

### Irish conspiracy

A fresh twist to the speculation about why Ireland's European commissioner is throwing his weight behind Sir Leon Brittan's bid for the Commission presidency. One suggestion is that Padraig Flynn may be doing it because he wants to secure a plum job.

## OBSERVER



The rich get richer, the poor get poorer, but we don't get any holier

However, old Dublin hands speculate that his support for Sir Leon has more to do with a concern to keep his current job. For some reason Albert Reynolds, the Irish prime minister, is keen to be helpful to Brittan at the moment. By supporting Sir Leon, Flynn keeps in Reynolds's good books and increases his chances of being reappointed.

Why should he be worried? Because Peter Sutherland is getting itchy feet as director-general of Gatt and, despite denials, could

be a runner for Delors' job. If he got it, Flynn would have to make way since Ireland can only have one commissioner. Stranger things have happened.

### Soft at heart

It's not quite in the same league as the death of the Marlboro man. But Rowntree's decision to take its Yorkie chocolate bar truck driver off the road after 17 years in advertising is a reminder that the knights of the road don't have the pulling power that they once did. J. Walter Thompson, which handles the adverts, is replacing the macho trucker with a "Fugitive-style escaped prisoner" "tough enough to eat Yorkies". Presumably this means the end of the lorry sticker "No hand signals. Driver eating Yorkies".

### Sinking fortune

The flying fiddle finger of fate strikes again. Even before The Sunday Times had published its list of Britain's 500 richest people, some of its information was looking a bit obsolete.

Take Sir Neville Bowman-Shaw and brother Trevor, who are chairman and vice-chairman of the Lancer Boss lift truckmaker.

The Sunday Times, worried that it had "seriously undervalued" the brothers' business, decided to more than double the size of the family fortune to £56m. "It is clearly a company run with a conservative balance sheet by its far-sighted management," concluded The Sunday Times's wealth-watchers.

Unfortunately, Sir Neville had to call in receivers to several of Lancer's British subsidiaries on Friday after German banks withdrew support for Steinbock Boss, its Munich subsidiary.

### Mersey mouth

Only a post of Roger McGough's calibre could appear on the BBC's *Desert Island Discs* and admit that music didn't mean much to him. The Liverpoolian, who has probably done as much for poetry as the Beatles have done for music, said that all his records sounded "much the same". But if he had to take one, it would be a record of foghorns on the River Mersey. If he played it loud enough, it might attract a passing ship and lead to his rescue.

### Spiv's motto

Deal goes right: open champagne. Deal goes wrong: open prison.



## Rebels march on capital as Belgian paratroops fly in Western troops rescue expatriates in Rwanda

By Leslie Crawford in Nairobi and Agencies in Kigali

France, Belgium and the US were last night rescuing expatriates from Rwanda in central Africa, where thousands of people have been killed in tribal massacres after the president's death in an air crash last Wednesday.

French troops secured the airport outside Kigali, the capital, on Saturday to evacuate some 600 French nationals living in Rwanda. US Marines were sent to neighbouring Burundi to assist Americans fleeing overland in a long convoy of cars.

Meanwhile, Belgian paratroops were reported to have landed in Kigali last night, after the Rwandan army lifted its objection to the arrival of the former colonial power.

Tribal tensions between the majority Hutu and the Tutsi people led to an ethnic bloodbath when the government accused guerrillas from the Tutsi-led Rwandan Patriotic Front (RPF) of shooting down the aircraft of the president, Gen Juvenal Habyarimana, last week. The president of neighbouring Burundi, Mr

Cyprien Ntaryamira, was also killed in the crash.

A force of 4,000 RPF soldiers was yesterday reported to be marching towards Kigali to free the battalion pinned down by government troops, and their arrival may lead to escalation of the fighting.

About 1,500 Belgians live in the small central African state, and there were deep fears in Brussels last night that the violence might turn into an anti-Belgian movement. There were apparently rumours circulating in Rwanda that Belgians were responsible for the shooting down of the presidential aircraft.

"We have a duty to restore order," Ms Christine Umotoni, an RPF official, said yesterday. "We cannot leave innocent civilians to be butchered by lawless gangs and renegade members of the presidential guard."

Thousands have already met that fate. Despite Rwanda's long history of genocide, the scale of the massacre in Kigali has shocked relief workers. The International Committee for the Red Cross says tens of thousands of bodies are lying in the streets

and houses of the capital.

Ambulances venture out during lulls in the fighting to rescue the wounded. "Each trip is an adventure," said a Red Cross doctor. "The streets are blocked by military and civilian checkpoints. Many are drunk and their behaviour is unpredictable."

Médecins Sans Frontières, the medical charity, said it was evacuating its Belgian staff because of the palpable anti-Belgian sentiment in the capital. Belgium is accused of supporting the RPF.

A new government was named at the weekend, but it has not succeeded in gaining control of rampaging troops, and its authority has been rejected by the RPF. With anarchy reigning in the capital, many Rwandans believe the RPF will attempt a final assault on Kigali to seize political power.

"We will join forces with all those willing to rebuild our country," Ms Umotoni said.

The RPF, which launched its guerrilla war in 1990, models itself on the movement that led President Yoweri Museveni to power in Uganda six years ago.

## BCCI creditors body balks at \$34.6m fee to liquidator

By Robert Peston

The committee representing creditors of the collapsed Bank of Credit and Commerce International is refusing to approve \$34.6m (£34.6m) in annual fees demanded by the bank's liquidators, who are partners at the accountancy firm, Touche Ross.

Touche is budgeting to receive £17.5m in fees for the UK portion of the liquidation alone, for the year to next January. "Everyone on the committee believes that is too much," one creditor said.

Although Touche's budget has not been approved, it can draw up to £550,000 a week on account. The committee members cannot discuss their concerns about Touche's costs with the thousands of BCCI creditors, because its six members have signed a confidentiality agreement presented to them by Touche last year. Creditors have yet to receive any cash from the bank.

The arrangement to keep committee proceedings secret was introduced because Touche became concerned that there were too many leaks. However, some creditors believe it is now stifling debate about how the liquidation should be carried out and how much the liquidator should be paid.

It is understood, however, that the governor, Mr Eddie George, has been kept informed of the committee's work and that the Bank is hopeful that a fees discount can be negotiated with Touche.

The committee has been told that Touche had earned £98m in fees by mid February from work on liquidating BCCI's UK operations. Payments to lawyers working with Touche Ross in the same period were £35m, most of it believed to have received by the City firm Lovell White Durand.

The figures cannot be compared with those on the costs of the liquidation submitted to the Department of Trade and Industry, which were prepared on a different basis.

A paper presented to the committee, dated February 1994, says BCCI's liquidators throughout the world are budgeting to receive £31.2m in fees in the coming year. Of that, Touche expects to receive £23.7m, including £17.5m for UK work. Touche's worldwide BCCI fees include £10.4m to be earned by partners, with the balance earned by six grades of manager.

A Touche partner pointed out that the costs of the liquidation had been falling since the bank was closed down in July 1991. Touche is hopeful, though, that the courts will approve a recently negotiated arrangement with Abu Dhabi, BCCI's majority shareholder, which would involve the emirate paying an estimated £1.8bn to creditors.

## AT&T and BT win European contract

By Andrew Adonis in London

A ground-breaking contract to provide a Europe-wide telecommunications network for 30 of the continent's leading multinationals has been won by British Telecommunications and an alliance of AT&T and the Swiss, Swedish and Dutch state telecommunications companies.

The contract, which may be worth £650m (£565m) a year, is the first step in a plan to build a pan-European telecommunications network linking the facilities of the 30 companies. The contract is a milestone in the struggle by BT and AT&T, the largest US operator, to establish themselves in continental Europe.

The 30 companies - believed to include Rank Xerox, ICI, Philips, ABN Amro and ABB - have formed a European telecommunications association, aiming to gain tariff reductions and upgraded services by acting jointly to provide for their telecommunications requirements.

Although a significant breach of Europe's monopoly telecoms regimes, the corporate network has the approval of the European Commission, which wants to accelerate the development of pan-European communications.

Services planned for the network include short-code dialling and common numbering. Companies will not be allowed to communicate with each other across the network. It therefore qualifies as "private" and is allowed under current EU rules.

However, each company will be allowed to include its suppliers, customers and part-owned subsidiaries.

Mr John Sale, Rank Xerox's network services manager, said the network, based on leased lines and dedicated software, could provide savings of up to 40 per cent on the companies' existing bills for cross-border European traffic.

AT&T's joint bid with Unisource - a consortium of the Swedish, Swiss and Dutch state operators - follows the stalling of its attempts to link up with France Telecom and Deutsche Telekom.

The main losers are France Telecom and Deutsche Telekom, the French and German state operators, which bid jointly.

Cable & Wireless, the UK group, Sprint, the third largest US operator, and Telstra, the Australian national operator, were also unsuccessful.

## THE LEX COLUMN

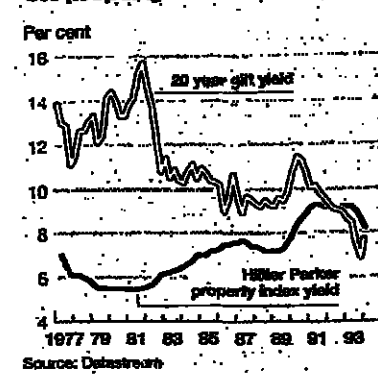
### Up front on leases

It would be welcome if the Accounting Standards Board clarified accounting guidelines in the wake of the Pentos fiasco. It remains to be seen, however, whether its reforms will be enough to prevent abuse of reverse premiums - payments by landlords to tenants who take on a long-term lease. If the ASB simply recommends that the benefit is spread over the first five years, shareholders may remain unaware of the full risks a retailer is running. The low average rents which retailers will pay in that time may still encourage reckless expansion. Equally, shareholders may be in for a nasty shock after a five-year rent review when the full impact of the lease hits home.

There is thus a strong case for accounts to separate out the amount received in reverse premiums and their contribution to profits in any one year. Had NatWest Securities not raised the issue in the Pentos case, shareholders might have remained completely unaware of it until the rope trick collapsed. Equally, it can be argued that rent-free periods and landlords' contributions to fitting-out expenses should also be disclosed.

Reverse premiums are becoming less common as the property market recovers, but the issue remains important because retailers that have expanded or recycled their store portfolios during the recession will approach the critical rent review hurdle in the next few years. Inflation may not bail out expensive purchases as it has in the past. For some companies the increased cash outflow may be insignificant, for others critical. Shareholders should be allowed to judge the sheep from the goats.

#### UK property



Source: Office for National Statistics

space. Construction and finance costs are low. The more adventurous property companies, such as Helical Bar, have already taken the plunge. Big institutional investors, such as The Prudential and Scottish Amicable, are following close behind.

The worry will be what happens to the rest of the property market if development activity takes off on any scale. Prime properties, which offer secure rental growth, may be little affected but widespread development could dull the edge of recovery elsewhere, damping rental and capital growth. That is especially bad news for most secondary and tertiary properties, where yields are already beginning to climb again as long term rates rise. Substantial development activity would hasten the creation of a two-tier property market. Perhaps it is a good job bankers are so reluctant to lend.

#### Air France

Today's ballot on Air France's restructuring plan may be a defining moment for the French economy. After only six of its 14 trade unions recommended the deal, Air France raised the stakes by seeking direct approval from its 40,000 workers. If they reject the plan, the chairman has vowed to resign, the government's FF20bn subsidy package will be withdrawn, and Mr Edouard Balladur's government will be plunged into a fresh political crisis. With the government under pressure following recent student unrest, that political uncertainty may further disturb the franc, which has been wobbling of late.

Approval is critical if the government's reformist credentials are to remain intact. Yet Air France's future is far from assured even if the restructuring is supported. By interna-

tional standards, Air France is a desperately uncompetitive carrier. The restructuring proposals, including a salary freeze, changed working practices and the shedding of 5,000 jobs, are modest in relation to the scale of its problems. Air France lost FF7.5bn last year and carries total debts of about FF737bn. The goal of privatising Air France remains a distant prospect.

The political difficulties preventing sufficiently radical restructuring may ensure that Air France lingers in the land of the living dead, halfway between state control and commercial reality. With the European Commission bearing down on state subsidies and competitors stepping up the pressure in Air France's backyard, that is an uncomfortable place to exist.

#### Lloyd's

The prospect of another thumping loss makes it vital that Lloyd's of London continues to reform its capital structure. Last year's introduction of corporate capital helped plug the gap caused by the last round of underwriting losses. Whether or not the market's solvency is called into question by the looming tide of red ink, more imaginative measures would help maintain confidence in its ability to thrive. In particular, a secondary market in syndicate participations would enable Names to raise cash by selling their rights to future profits.

The introduction of pre-emption rights promised for next year would be a step in this direction. Without such protection the value of a syndicate participation could be eroded over time. But the creation of a fully-fledged trading system looks some way off, not least because the market value of participations would be extremely volatile. Regulating such a market and keeping the lid on insider dealing is also a headache Lloyd's could do without.

These problems may eventually be overcome. In the meantime lifting restrictions on corporate capital could achieve much the same effect. Allowing companies to provide all the capital of a syndicate - from 50 per cent at present - would open the way for corporate vehicles which looked more like insurance companies than the investment trusts launched last year. If syndicate participations were swapped for shares, and the Stock Exchange could overcome its reluctance to list such new companies, Names would have a welcome chance to realise value.

## Japanese coalition split

Continued from page 1

the people decide," said Mr Tomiichi Murayama, chairman of the SDP.

Mr Hosokawa started the latest political realignment, shortly after announcing his resignation, by confirming the end of his Japan New party's plans to merge with the New Harbinger party.

He launched, instead, a new JNP-led group, called Reform, which was over the weekend positioning itself as the heart of a new right-wing alliance, to embrace Mr Ozawa's JRP and the Buddhist-backed Komeito clean government party. About 10 MPs from Mr Hosokawa's JNP - less than a third of the total - said they would defect because they do not like Mr Ozawa.

## Nato fighters attack Serbs

Continued from Page 1

in, and dropped two bombs on two targets south and southeast of Gorazde at 1804 and 1829 local time (1622 and 1629 GMT).

The US involvement marks a turning point in the conflict. Pentagon officials had questioned whether air strikes would be effective and played down the scale of fighting.

However, the administration came under pressure to act as the UN reported an intensification of the Serb assault, and warned that townspeople were in a desperate situation.

A few hours before the attack, Mr Warren Christopher, the US secretary of state, said the US was ready to take part in air strikes in the Gorazde area if the UN requested them.

### FT WEATHER GUIDE

#### Europe today

Sunshine and spring-like conditions will cover an area from southern UK, the Benelux countries and southern Scandinavia to the Baltic states. Rain will dampen western Ireland and the Scottish highlands during the course of the day. An active depression in southern Europe will bring rain clouds to the former Yugoslavia and northern Greece. In the Alpine countries, that system will cause wintry conditions and strong winds in the French Alps, and a cold Mistral in the Rhone valley. Cloud will remain along the northern coast of Spain and Portugal, but there will be sunny periods inland. A shower is possible in the Balearics.

#### Five-day forecast

A surge of warm air in southern Europe will bring summery conditions to Turkey and the Ukraine during the first half of the week. In the Alpine countries and the Balkan States it will remain unsettled, but it will become more settled from the west. A strong ridge of high pressure will bring sunny conditions to the Benelux countries, the UK and large parts of France.

Warm front Cold front Wind speed in KPH

#### TODAY'S TEMPERATURES

Location	Max	Min	Forecast
Abu Dhabi	33	24	sun
Accra	30	24	thund
Algiers	17	13	cloudy
Amsterdam	13	10	drizzle
Athens	22	14	cloudy
Atlanta	14	10	fair
B. Aires	18	14	showers
B. Birm	15	12	sun
Bangkok	37	24	sun
Barcelona	15	12	sun
Cebu	31	24	cloudy
Dhaka	31	24	cloudy
Delhi	31	24	cloudy
Dubai	31	24	cloudy
Hong Kong	31	24	cloudy
Kobe	17	13	cloudy
London	17	13	cloudy
Los Angeles	22	14	cloudy
Manila	31	24	cloudy
Mexico City	24	14	cloudy
Moscow	17	13	cloudy
Mumbai	31	24	cloudy
Nairobi	22	14	cloudy
Paris	17	13	cloudy
Rangoon	31	24	cloudy
Rio de Janeiro	24	14	cloudy
S. Francisco	17	13	cloudy
Singapore	31	24	cloudy
Sydney	22	14	cloudy
Taipei	22	14	cloudy
Tokyo	17	13	cloudy
Vancouver	17	13	cloudy
Vladivostok	17	13	cloudy
Warsaw	17	13	cloudy
Wellington	17	13	cloudy
Winnipeg	17	13	cloudy
Zurich	17	13	cloudy

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German Airlines

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# FINANCIAL TIMES

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Tuesday April 12 1994

## Confrontation with the Serbs

The confrontation narrowly avoided two months ago has now taken place. In February, Bosnian Serb forces complied with Nato's ultimatum and pulled back their weapons around Sarajevo, allowing a marked relaxation of tension in the Bosnian capital and raising hopes of a more general peace throughout the country. At the weekend, by contrast, they ignored clear warnings from the UN and persisted in shelling the town of Gorazde.

On Sunday Nato aircraft went into action against them. Yesterday, after appearing momentarily to back off, the Serbs undertook a further escalation, reimposing the blockade of Sarajevo, resuming the shelling of Gorazde, and targeting the very UN personnel whom the Nato air strikes had been designed to protect.

A further Nato bombing raid knocked out one Bosnian Serb tank but appeared to have no other effect. Serbia itself, which in the past few months had seemed anxious to play the peacekeeper in order to get UN sanctions lifted, yesterday stood firmly. If so far only rhetorically, behind the Bosnian protégé, President Slobodan Milosevic announced that he no longer accepts the UN's objectivity, and will deal with it only through the Russians. Russia's position has thus become both more crucial and more uncomfortable.

In February Mr Yeltsin warned strongly against Nato air strikes, arguing that they would go beyond what the UN Security Council had authorised, and then intervened to prevent them by sending Russian troops to serve under UN command in Sarajevo. This enabled the Serbs to withdraw without total loss of face. A

week later, when Nato shot down four Serb aircraft that were violating the UN no-fly zone, Russia did not protest, but took refuge in feigned uncertainty about the aircraft's true identity. Since then Mr Vitaly Churkin, the Russian special envoy, has played a constructive role in negotiating a ceasefire in Croatia, and in persuading the Serbs to make some further tactical concessions in Bosnia.

Mr Yeltsin's public protest at not being consulted before Sunday's air strikes appears to have encouraged President Milosevic to raise the stakes. Mr Milosevic seems to be gambling on trying to prise Russia apart from the west. However, the Russian protests yesterday were cautiously phrased, and did not amount to an outright condemnation of the strikes themselves.

Additionally, it is even less plausible now than it would have been in February to accuse Nato of acting unilaterally or bypassing UN procedures. This time the ultimatum came from the UN secretary-general. He was careful to base it on the first and least controversial of the UN Security Council resolutions authorising the use of force in Bosnia, namely the one that allows the UN to call on Nato for close air support when its own forces and other personnel are endangered in the execution of their humanitarian mandate.

President Bill Clinton, who spoke to Mr Yeltsin by telephone on Sunday night, must have made clear that the credibility of both Nato and the UN are now at stake. There is no doubt that the UN action so far has been justified. Russian help in defusing the crisis is more welcome than ever. But there can be no question of allowing the Serbs to win.

## Video nasty

British MPs will today vote on a measure to restrict the distribution of video films likely to harm children. It would make it a criminal offence to supply such videos for private use or show them in a public place where children under 18 are admitted. Despite the opposition of ministers, it has strong cross-party support.

The restrictions, proposed by Mr David Alton, the Liberal Democrat MP, would be popular. Public concern over video nasties has been mounting, fed by allegations of copyright offences by children and young people. It would be foolish to deny a connection between what people do and the images they see: businesses spend huge sums on advertising because it changes people's behaviour. Most children will not copy screen violence, but many child psychologists believe that repeated exposure desensitises them.

The case for censorship is thus easy to make. Specifying what is to be censored, however, raises intractable problems. Mr Alton's measure defines harmful videos as those presenting "an inappropriate model for children" or "likely to cause psychological harm to a

child". Broadly interpreted, this could cover the majority of films currently restricted to children of 12 and over, since they have already been judged unsuitable for some. Interpreting any such definition leads to the legal arguments that brought book censorship into disrepute.

Enforcing censorship in one country is also increasingly difficult. The growth of foreign travel eventually undermined book censorship in the UK: banned books by authors such as James Joyce and D.H. Lawrence were bought in Paris and other European cities. Videos banned in the UK will be just as easily available on the other side of the English Channel. With satellite television and video on demand through cable, foreign travel may not even be necessary.

There is sense in tightening up on video shops that supply videos to children without adequate checks on their age. More information on the contents of videos would also help parents keep a closer eye on what their children watch. But the Alton measure will prove unenforceable and will bring the law into disrepute. MPs should reject it.

## A Tokyo vacuum

Japan has long differed from other leading industrialised countries in having no clear centre of power. The political horse-trading provoked over the past few days by the resignation of Mr Morihiro Hosokawa suggests that this situation will continue.

Mr Hosokawa's administration had made real progress in breaking up the corrupt politics of the past and towards making the Japanese parliament more representative of popular concerns. This must not be allowed to go into reverse.

His drive for a more open style of democracy, his achievement in getting electoral reform through parliament and his economic deregulation have attracted so much public support that future governments will find it difficult to turn back the clock. That much is encouraging.

Less so is the fact that the stable government needed to carry Japan through this process is a distant prospect. The difficulty experienced by members of the fractious seven-party alliance in agreeing a new leader supports the view that the country is set for several years of rule by unstable coalitions.

Stable government can only emerge once the present and former factions of the Liberal Democratic party work out a pattern that reflects the Japanese public's aspirations for a more open, honest and international style of politics. A particular difficulty is that any likely candidate for the prime minister's office will be as vulnerable to corruption allegations as was Mr Hosokawa, if not more so.

This carries an important lesson for Japan's foreign partners. On the one hand, Tokyo should be handled gently. Foreign trade

pressure, of the kind applied recently by the US administration, will be less effective than ever in current circumstances and could be counter-productive.

On the other, if the US and other trade partners are to take Japan seriously, they have a right to expect Japan to take itself seriously. The quirky events leading up to Mr Hosokawa's resignation have a flavour of farce, which risks derailing the international image of Japanese governments. Likewise, the opaque negotiations to find a new leader provoke anxiety. Tokyo's smoke-filled rooms are no more fragrant today than in the LDP's heyday, when policy was formed in private by an inward-looking elite.

Even if Mr Tsutomu Hata, the foreign minister and front runner to succeed Mr Hosokawa, does make it to this week's Gatt ministerial gathering in Morocco, he is unlikely to get there, according to the latest official report, until the final day, Friday. That will leave inadequate time for discussions with Mr Mickey Kantor, the senior US trade negotiator, as a result of the unwelcome shadow caused by the US-Japan trade row will linger for longer than necessary.

To some extent, Japan is lucky to have a bureaucracy capable of filling the power vacuum during the chaotic period to come. But not even the Japanese public administration can set its own policy, despite US suspicions that the more powerful ministries are inclined to act on their own agendas. Bureaucrats alone certainly cannot handle the trade dispute with Washington, as the past few months have shown. It is time for Japanese politicians to wake up to their international obligations.

The economic battering that the German social market model has received over the past three years seems to have weakened its claim to the title of the European economic model, a claim that appeared well established at the end of the 1980s.

Even admirers such as the French businessman Mr Michel Albert, who coined the term "Rhine capitalism" to describe the German social market model of regulated, long-term, consensus capitalism, have predicted that it will be undermined by the new competitive forces sweeping through the European economy. Germany's high-cost economy is particularly vulnerable to the squeeze felt by many European countries between growing low wage competition from developing countries and the more innovative economies of the US and Japan. To many commentators, Germany is poorly suited to the growth of smaller businesses which need to react swiftly to market changes and require organisational flexibility and less rigid pay and hours.

There is some truth in this view. Recent developments in Germany also suggest, however, that the institutions of the social market are proving both more supple and resilient than many believed possible.

This is not just a question of cyclical upturn after the sharpest recession since the war. Witness the following recent events: the reduction in real wages achieved through collective bargaining earlier this year; the radical restructuring of many large companies (Daimler-Benz cut D44bn (£1.5bn) in costs last year alone); the first stage of reforming health costs achieved in the face of widespread scepticism last year; and the massive but belated transfer of resources from rich west Germans to poorer east Germans, despite the unpopularity this provoked.

Several times in the past two decades mainstream economic and business opinion in the Anglo-Saxon world has underestimated the strength and solidarity of German economic institutions.

Indeed, according to free-market textbooks the German economic machine should scarcely fly at all. Its labour and capital markets are choc-a-bloc with rigidities. Taxes are high and rising, unions are still strong, and environmental (and other) regulations are stringent.

Yet Germany has outperformed most other large economies on most indicators even in its mature period of the past 20 years. Just prior to unification in 1990, it had the fourth-highest gross domestic product per head in the world (compared with Britain's 19th) and its "misery index" combining the annual inflation and unemployment rate averaged 7.5 per cent a year between 1971 and 1992, almost the lowest in the world.

Part of the explanation for this relative success is that social market "rigidities" help to resolve problems which are scarcely recognised by conventional economics - problems of uncertainty and conflict in daily business life.

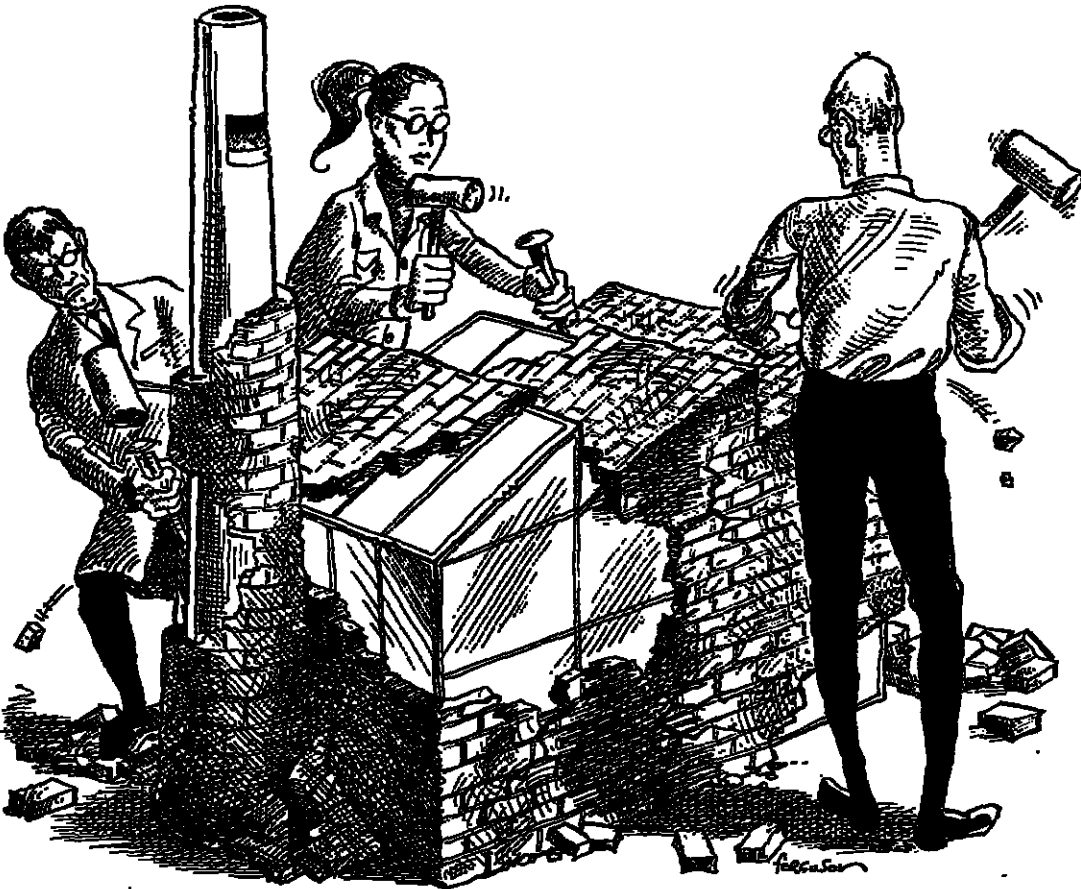
German political and corporate institutions not only generate a high degree of economic stability, they are also better than liberal market economies at binding together economic actors in pursuit of common goals.

At the political level, under the *Ordnungspolitik* system set up after the second world war, the markets operate within a regulatory framework over which governments have only limited discretion. A broad range of interest groups as well as semi-independent bodies such as the Bundesbank have a "misery voice". Cross-party support for the privatisation of the German rail network is a recent example.

At the corporate level, employee, supplier and bank representatives on company boards, plus the lack of a contested takeover system for companies, also make it easier for corporate "stakeholders" to commit themselves to long-term relationships without fear of losing market advantage or personal benefits. It is this "stakeholder company" which is at the heart of the German

# There's still life in the old model

Despite economic woes, Germany's social market system has proved resilient and flexible, writes David Goodhart



system of market regulation, not the state. It is here that current reforms are being played out.

The stakeholder (rather than shareholder) driven company is complemented by a web of organisations linking employers, such as chambers of commerce and industry associations, which help to produce services such as a good training system for school-leavers. Such developments are not the spontaneous result of companies acting in their own profit-maximising interests, as British governments know well.

Despite these underlying institutional advantages, Germany's social market virtues can become vices. The model needs periods of turbulent renewal such as the one it is experiencing. Because consensus gives many different groups in companies and in politics the power of veto, reform can be too easily blocked. This contributed to some economic policy mistakes of unification's early stages. A combination of political cynicism and interest-group power led to the wrong decisions about paying for unification and about industrial restructuring in the east. The result has been a bigger bill than necessary and the destruction of many businesses in the east.

Further, in an era of more volatile market relationships the disadvantages of long-termism become as apparent as the advantages. How do you ensure your long-term relationships with suppliers, for example, do not inhibit competitive pricing? How do you react swiftly to changed market conditions when corporate culture is about negotiating change with long-standing partners?

Germany's companies thrive best when undertaking incremental changes to products and techniques. Hence the country's strength in industries such as cars, chemicals, machine tools - and relative failure in electronics and com-

puters. This innovation weakness, combined with the decline in productivity to an annual average increase of 1.2 per cent between 1980 and 1991, suggested to some the model was in long-term decline even before the financial burden of unification.

Unification reduced per capita GDP to the level of Italy in 1991. It also played havoc with Germany's public finances, which are in a worse state than they appear because most analyses fail to take account of the state's large public sector pension liabilities.

Some commentators have thus concluded that Germany must hack away at its welfare provisions and corporate bureaucracy to embrace the vigour of Anglo-Saxon individualism. There are, indeed, both internal and external pressures for greater flexibility.

First, the system of centralised collective bargaining is bending. Employers have recently been clawing back some of the fringe benefits granted in earlier times, and some have left the national bargaining system to do so. The power of employer-friendly works councils inside companies is being eroded at the expense of external national unions, as employers try to increase differentials between high- and low-skill employees.

Second, the appointment of former General Motors hatchet-man Mr José Ignacio Lopez to run Volkswagen's procurement division last year was symptomatic of a new, and less friendly, relationship between companies and suppliers. Lopez was the most extreme example of more ruthless market calculation in company-supplier links, but other groups such as Mercedes-Benz have been aiming in the same direction.

Third, the relationship between companies and their banks is changing and the importance of equity capital is growing. Big companies can now raise money direct from the capital markets, a practice which has downgraded the strategic role of the big banks. In addition, a combination of international banking practices and the European Commission (which favours open equity markets and limits on bank shareholdings) threaten the cosy position of German banks on the non-executive supervisory boards, where they have long enjoyed access to inside information.

These changes may make the German social market a little less "orderly" and a little less egalitarian. But it can afford a greater degree of earnings inequality. The earnings gap between high- and low-paid workers narrowed slightly in the 1980s - against the international trend - and it is estimated that about 70 per cent of pay goes to middle-income households.

Despite signs of greater institutional flexibility, there are clear limits to change. Germany's sectoral bargaining system appears to be restoring pay restraint, and the alternative of decentralised bargaining with strong unions is not an attractive proposition to most companies. The Lopez example does not seem to have been emulated by many other big companies, at least not as forcefully.

Finally, neither contested takeovers nor the power of footloose equity capital are set for a large increase in importance because of the concentrated ownership of companies in Germany. Of the 171 largest industrial companies 86 per cent have a single shareholder which

owns more than 25 per cent of the concern. In most cases the shareholder is another company or a family trust, which generally means that short-term profit is not the primary goal.

Thus, backed by mildly deregulatory public policy reforms, the German economic model is reinvigorating itself without abandoning the core institutions of the social market, which can adapt and survive in the more open and flexible markets of contemporary Europe.

Some aspects of the model are particularly well-suited to new manufacturing trends. For example, when companies and their suppliers are used to operating in an atmosphere of trust, it is easier for them to share research and development costs as demanded in an era of rapid product turnover. Successful adjustment to "flexible specialisation" - which combines mass production and customisation - requires a capacity for "retooling" in response to unpredictable demands. This needs surplus capacity in skills and equipment. Investment in such capabilities is difficult to justify in liberal market regimes with high short-term performance pressures and companies dominated by accountants. The German system positively encourages it.

The "cravat" of German-style rigidities is now recognised by management theorists such as Mr John Kay, who argues that long-term relationships are crucial to the competitive advantage of companies. With the end of the cold war and a new focus on competition between market models, there has been a revival of interest in concepts such as the stakeholder company.

A adequate reform of the social market model is not guaranteed but the system has reserves of strength. Even when productivity improvements were flagging between 1970 and 1990 Germany remained the largest exporter of manufactured goods in the Organisation for Economic Co-operation and Development and increased its market share over that period. Further, the east German economy could be on the point of take-off, which alone could help to shake up the west.

Germany's job creation record is better than that of many industrialised nations. According to the OECD, west German unemployment is now 6.3 per cent, lower than the US, and falling. But it will remain high in east Germany, and there is a danger that the strains of unification and high immigration on Germany's labour market could create calls for protectionism.

Assuming this danger is avoided, the German model could soon be in a strong position to claim market leadership again in the EU. The single market has sharpened competition between different approaches to market regulation, and Germany starts with the advantage that it is currently responsible for a third of industrial output in the EU.

Already EU rules are more informed by a concept of *Ordnungspolitik*, which allows market forces to operate within prescribed rules, unlike the public policy system in France or Britain, and limits the scope for discretionary intervention.

Apart from the financial services area, Brussels generally takes German market institutions as its pattern. At a European level it wants to promote organised employers, social partnership, and the stakeholder company, hence its interest in works councils.

The strength of Germany's industrial lobby organisations in Brussels is certainly no hindrance to the social market cause. And the arrival of more countries with considerable institutional overlap, such as Austria and Sweden, will be a further fillip. British supporters of a deregulated, liberal market, have got an uphill struggle ahead.

The author's pamphlet, *The Reshaping of German Social Market*, is published on Thursday by the Institute for Public Policy Research, 30-32 Southampton St, London WC2E 7RA; £7.50

## A rose by any other name

Who would be a bank supervisor? Success is untrumpeted and the best reputations usually end up tarnished. Yet Rosalind Gilmore, 57, chairman of the Building Societies Commission, is in danger of leaving her job smelling of roses.

She intends to retire at the end of this year, having steered the building society movement safely through its worst upheaval in living memory. Financial deregulation, a consequent hair-raising increase in the level of mortgage debt, the first collapse in nominal house prices since the second world war, unprecedented arrears and repossessions - all came at a time when the building societies' capital base was uncomfortably slender.

The worst she can be accused of is naming her charges. A robust approach to supervision was anyway part of the key to Gilmore's success. Serious naming was required to ensure that troubled societies were taken over by lenders and sounder institutions before cross-infection caused further turmoil in the sector. The successful absorption of Towa & Country by the Woolwich Building Society in November 1991 marked the high tide - in the public eye, at least - of Gilmore's regulatory activism. True, her success owed something to the charity of others, notably

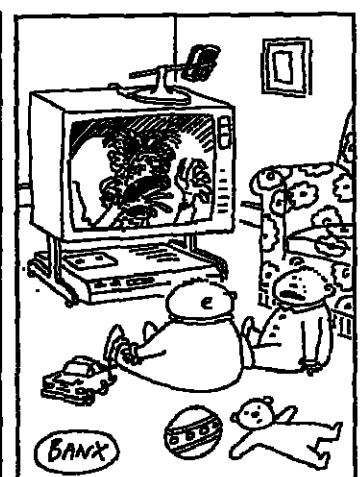
the insurance companies that chose to underwrite a growing share of the risk in mortgage lending at the most inauspicious moment.

Taxpayers and legislators have also done their bit, since income support for distressed borrowers is now paid direct to mortgage lenders. And Gilmore didn't have to cope with a US-style deposit insurance scheme which gave managers of troubled savings and loans carte blanche to run amok. Yet the record speaks for itself: depositors have emerged with their savings intact. If only she had been in charge of regulating the life assurance and pensions industry. Were it not for her age, she would have made a natural replacement for the Bank of England's Brian Quinn when he gives up regulating.

## Sic transit

Meanwhile, relations have not exactly been wonderful between Abu Dhabi - majority owner of the corrupt Bank of Credit and Commerce International - and Touche Ross, the bank's liquidator, though outright war has so far been avoided. Touche has sued BCCI's former auditor, Price Waterhouse - and even the Bank of England - but has deployed a softly-softly approach with the emirate. Being nice doesn't necessarily pay off. At the end of March, Abu Dhabi shipped to Touche's London office 70 tonnes of BCCI documents, all its head office files, airlifted

## OBSERVER



It's all about this zombie who goes on a killing spree after watching too many video nasties

to Abu Dhabi in 1990. Creditors should not over-excite themselves; despite being carefully sorted in the UAE, the index has mysteriously disappeared in transit.

## Heady stuff

What is it with headhunting all of a sudden? First the TV series, now a novel, coxing with sex and corruption, entitled *The Headhunter*, by Juliette Mead, an ex-headhunter. But it is not just the media that are beguiled by this peculiar line of work. Anne Ferguson, an ICI

veteran of more than 20 years' standing - who ran ICI's World Class campaign and masterminded the search for Zeneca's marvellously obscure name - has just answered the call to join Spencer Stuart, one of the big international search companies.

So how does a high-profile career in marketing prepare you for being a headhunter? Both are about helping find solutions," says Ferguson glibly. Except in the minds of those who think the latter species create the problems.

## Grapes of froth

Champagne socialists naturally are prone to error when it comes to lesser drinks. So perhaps we shouldn't be surprised that Britain's Labour party confuses Bordeaux with Rhône in its brochure of upmarket summer gifts. It offers two bottles of Chateau de (sic) Pape for £21.75, describing them as "a pair of world-famous clarets".

## Quiet Lauda

Lauda Air, the Austrian airline founded by former motor racing world champion Nikki Lauda, is having a busy month, opening up new Vienna-based European regional network services to Barcelona, Madrid, Brussels, Geneva and Munich. Yesterday was Manchester's turn. However, Lauda himself couldn't

be there - it was his turn to fly Lauda's Madrid route. Instead, he will land in Manchester today. But Lauda fans will have to be quick - he takes off on the return Vienna journey at 9am, only 45 minutes after landing. He may be on the ground a bit longer, though, by virtue of landing earlier. "They always seem to go faster when he's at the controls," says a loyal aide.

## Dutch treat

Risky place, the Netherlands. Apparently the country's 50 or so McDonald's restaurants are at least twice as likely to suffer property damage and loss of profits through fire, flood, vandalism and theft as their counterparts in eight other Asian and European countries.

"There does not appear to be any single explanation," says Mark Scully, a consultant with the actuarial firm Tillinghast, which carried out the survey for McDonald's. So if you fancy a Big Mac in The Hague, is the advice to think twice about it?

## Untrustworthy

When is a unit trust a fund? When it's called the M & G Sterling High Interest Fund, launched this week. Somehow, trying to drum up support for the M & G Sterling High Interest Trust doesn't sound quite right, especially when it is stripped down to its bare initials.



PLO blamed for delay in troop withdrawal from Gaza and West Bank

## Israel misses pull-out deadline

By Julian O'Zanne in Jerusalem

Israel said yesterday it would not be able to meet tomorrow's deadline for completion of its military withdrawal from the Gaza Strip and West Bank town of Jericho. It blamed the Palestine Liberation Organisation for delaying the peace process and the implementation of Palestinian self-rule.

Mr Yitzhak Rabin, prime minister, said the PLO was responsible for the delay because it had broken off peace talks after the February 25 Hebron mosque massacre of 29 Palestinians by a fanatical Jewish settler.

Mr Rabin said Mr Yasser Arafat, PLO chairman, "suspended

the negotiations after the massacre in Hebron and therefore the responsibility is not on us".

Israel undertook the bulk of its military withdrawal last week and senior officers said they could complete the operation within 12 to 18 hours. However, Mr Rabin has insisted on an agreement including all aspects of Palestinian self-rule before giving the army final orders to leave.

On a visit to Ankara Mr Shimon Peres, Israeli foreign minister, said the new target date for signing would be the end of April.

At the Israeli-Palestinian peace talks in Cairo, the PLO appeared to resign itself to the delay. Mr

Nabil Shaath, chief PLO negotiator, said: "If Mr Peres says he is willing to respect the new target date, the date at the end of the month, fine with us."

Mr Shaath also said that in spite of the PLO disappointment about the delay, progress had been made in the past 48 hours of talks. If that continued, the two sides might be able to make an announcement on what they have agreed so far.

For the past two weeks the negotiations have been bogged down in wrangling over the numbers and powers of a Palestinian police force; the timetable for the release by Israel of up to 8,500 Palestinian prisoners; and the zoning arrangements for the

Gaza Strip, which will leave some areas exclusively under Israeli control to protect 4,500 Jewish settlers.

In Paris, Israel and the PLO said they had made positive progress in talks on future economic relations.

Mr Haim Ramon, a popular former cabinet minister touted as a successor to Mr Rabin, said he would stand on his own list for elections to lead the Histadrut, Israel's biggest trade union federation.

Labour leaders said Mr Ramon's declaration of political independence might split the party and weaken it at a critical time as it pursues peace with the PLO.

## Algerian PM resigns after IMF deal

By David Buchan in Paris, Francis Ghiles in Washington and Agencies in Algiers

Algeria's president, Mr Liamine Zouari, yesterday replaced his prime minister after less than eight months in a surprise move which came as the government took measures to put the economy back on course.

The departure of Mr Redha Malek and his cabinet in favour of a team to be led by Mr Mokdad Sifi, transport minister, came shortly after Algeria's army-backed rulers undertook a steep devaluation of the dinar as part of an agreement with the International Monetary Fund.

At the weekend the govern-

ment sent a letter of intent to the IMF which will pave the way for a \$1bn standby credit and economic reforms. These are aimed at liberalising the country's economy which is increasingly crippled by a debt-service ratio of over 100 per cent and a confrontation between the army and supporters of radical Islam.

Since Mr Malek took office last August, Moslem fundamentalists have stepped up their violent campaign against the government, widening random attacks to include foreigners.

Mr Sifi, aged 53, has served in high-ranking posts in the ministries of commerce, public works and finance.

France yesterday pledged its

support for Algeria's new economic measures, while awaiting announcement of the full composition of the new government before commenting on the political changes.

"France has always said it is ready to play its part in helping the Algerian people and we will continue in this direction," Mr Richard Duque, the foreign ministry spokesman, said yesterday.

In practical terms, this means France is holding open a largely unused FF6.3bn (\$1.08bn) credit line granted to Algeria last year. Some FF6.3bn of this is export credit tied to the purchase of French goods, and should help maintain Algeria's imports from France which would otherwise be

severely hit by the 40 per cent devaluation. France is also Algeria's largest single creditor, accounting for about 20 per cent of its \$200bn debt.

Paris has also been urging its European Union partners and other creditors to give Algeria generous rescheduling terms.

In Washington, Mr Michel Camdessus, IMF managing director, said the reform programme which the loan would support was "courageous and far reaching... worthy of the support of the international community."

But some senior officials could not disguise their bitterness that Mr Malek's resignation was not delayed until the IMF board approved the loan.

## Gatt chief says Uruguay Round will protect poorest countries

By Frances Williams and Guy de Jonquieres in Marrakesh

The Uruguay Round trade agreement will protect the least developed countries from the "law of the jungle", Mr Peter Sutherland, director-general of the General Agreement on Tariffs and Trade, said yesterday.

Mr Sutherland said assertions that some of the world's poorest countries would lose from the accord were based on "a misstatement of the facts". He was speaking on the eve of a four-day meeting of ministers from more than 120 countries which will end with a formal signing of the Uruguay Round on Friday.

"The least developed countries are not losers but winners," he said. Above all, they would gain

from strong multilateral rules and disputes settlement. For small and economically weaker countries, these rules were the only protection from the "law of the jungle".

Mr Sutherland said ratification of the Uruguay Round was still the subject of debate in some countries and legislative approval by the leading trading powers must be completed in time for the round to take effect by next January. However, the round would not mean an end to trade disputes.

Japan is expected to call at this week's meeting for unilateral trade weapons to be placed on the agenda of the World Trade Organisation, which is designed to replace Gatt. Tokyo fears that the new trade rules will not curb

the growing use of anti-dumping actions and US threats of unilateral trade sanctions.

The Gatt secretariat, in an analysis published today, estimates that agreements to open markets for agricultural and industrial goods under the Uruguay Round could add \$235bn a year to world income by 2002.

These estimates do not include expected gains from liberalisation of services trade or the boost to business confidence and investment from improved trade rules.

According to Gatt, industrial tariffs in developed countries will fall from an average 6.3 per cent to 3.9 per cent. Some 43 per cent of their imports by value will enter duty free, against 30 per cent before the round began.

## Air France rescue vote

Continued from Page 1

union did not rule out industrial action in protest at the plans to cut jobs and freeze wages.

Mr Blanc's success was attributed to a strong communications effort which has involved more than 2,000 meetings with staff and union representatives. It also reflected the severity of the situation facing the company.

"Many of the staff were persuaded that this was the last chance to turn things around", said one union official.

Mr Blanc will now hold a further round talks with staff and union leaders, aimed at implementing the framework agreement to raise productivity by 30 per cent over the next three years. He will also discuss how to break up the group to increase profitability.

## Fresh air attack on Serbs raises east-west tensions

Continued from Page 1

officer warned that the "act of aggression would lead to unpredictable consequences" and that the army had undertaken measures for its own defence.

Mr Kozirev said he had con-

veyed his concerns to Mr Warren Christopher, US secretary of state.

"I do not want to aggravate the situation, which is bad as it is, but would like my words to be taken very seriously," the Russian minister added.

General Pavel Grachev, the Russian defence minister, also voiced Moscow's unhappiness in a conversation with Mr William Perry, his US counterpart.

However, officials in Washington insisted that the telephone conversations of Mr Perry and

Mr Christopher with their Russian opposite numbers had all been initiated by the US side.

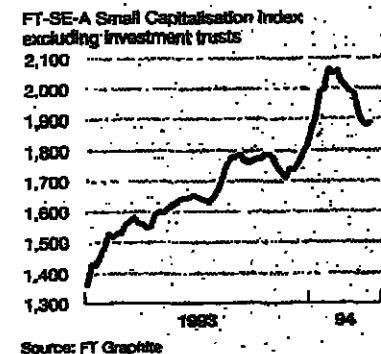
One US estimate said 60 people were killed in Gorazde on Sunday night, compared with a previous death toll of around 100 for the two-week offensive.

## THE LEX COLUMN

## Burmah's pace quickens

FT-SE Index: 3149.4 (+28.6)

### Smaller companies



There is a certain amount of lubrication in Burmah Castrol's annual figures. Without currency movements and disposals last year's £331m operating profit would have shown only a small gain. Without the enhanced scrip dividend at the interim stage the tax rate would have been 4 percentage points higher. That benefit will fall this year and Burmah will no longer be releasing £7m in provisions on its liquid natural gas transportation business. In earnings terms it will have to run hard to stand still, especially given the dilutive effect of two enhanced scrip dividends in a row. Yet the unexciting outlook for stated earnings masks an improving underlying position.

Burmah's automotive lubricant business has proved resilient in the recession and Syntec, its high margin synthetic oil, will move into profit this year. More important, the chemical businesses should soon start to recover with the cycle. Earnings should be growing strongly by 1995, which makes a historic price-earnings ratio of 15 undemanding.

Yet Burmah still has to decide how to use the benefits. The operational gearing inherent in its chemicals business means it could start to generate more cash than it is traditionally used to. If it manages to sell peripheral businesses as well, Burmah could be enjoying a surplus of cash. Although gearing is nearly 80 per cent, there is no pressing reason to pay down debt when interest cover is over six times. One possibility might be another large acquisition, though Poseco has not yet proved a convincing diversification. It might make more sense to return money to shareholders, especially if the new foreign income dividends reduce the tax problems in doing so.

### Small companies

If the minnows of the market had the best of last year's bull run in equities, they are also showing some useful defensive qualities. Even after two months in decline, the FT-SE SmallCap index has risen by 4 per cent this year. If hedge funds and other big international investors were responsible for the turmoil in the upper echelons of the market, the lower reaches might have been expected to escape the worst. Still, the recent wave of flotations and rights issues - more than £1.5bn was raised by smaller companies in the first quarter - has been absorbed surprisingly well. Increased weighting towards small

companies by investment institutions, and a steady flow of funds into small company unit trusts, have helped. But the best of the institutional reweighting has probably now been seen. After its recent outperformance the SmallCap is hardly cheap relative to the rest of the market. A multiple of around 17 times this year's forecast earnings - a 20 per cent premium to the FT-SE 100 index - is not exceptional for this stage in the economic cycle. Neither does it leave much room for disappointment.

The comfort is that smaller companies' results have been, in aggregate, well up with expectations. Dividend growth has bounced back after three years of shrinking payouts. There is also a chance that analysts' forecasts underestimate the extent of operational gearing likely to be experienced by industrial companies as the economy improves. With so many manufacturers and engineering companies clustered at the bottom end of the stock market, the SmallCap could yet justify investors' faith.

### Construction

The latest forecast from UK building material producers is notably more upbeat than previously. But given the rise in building material and construction shares over the past year, it would have been alarming to contemplate anything else. Housebuilding appears to be ticking over nicely while there is a lot more optimism about industrial and commercial construction spending. The repair and maintenance numbers look weak but the suspicion must be that official numbers are distorted by the blossoming black

economy. Companies exposed to that sector, such as plasterboard manufacturers, are certainly reporting good volume and price gains.

Despite the benign outlook, contractors remain a grumpy bunch. Industry leaders are advancing the novel proposition that the generosity of bankers is to blame for keeping weak competitors afloat. Aggressive tendering is therefore still whittling away margins while some big projects fade away. The Channel tunnel is almost complete, the grocery chains are scaling back their ambitions to carpet the country with concrete, and the cut in the road building programme will begin to hurt next year.

The logical answer would be for the construction sector to rationalise capacity through mergers. There remains a place for both specialist or regional contractors and diversified international groups. But medium-sized contractors may find it increasingly hard to justify an independent existence.

### Water

The 15 per cent fall in the water sector this year owes more to rising bond yields than to increasing regulatory risks. The yield gap between index-linked gilts and water shares has remained remarkably constant since the turn of the year at around 1.6 percentage points. The risk premium for holding water shares is thus unchanged.

True, this aggregate performance hides a narrowing of odds ahead of this summer's review of price limits by Ofwat, the industry regulator. Laggards such as Yorkshire have tended to perform better than traditional favourites such as Severn Trent. If trading volumes remain thin there could be some uncomfortably sharp corrections. Last week's 5 per cent fall in the sector, despite relative calm elsewhere in the equity market and in index-linked gilts, is a case in point.

With few announcements likely in the run up to the review, though, the sector will probably continue to track bond yields. Whether water shares decouple from bonds thereafter depends on the outlook for dividend growth once the new price limits are known. Until then a prospective yield approaching 6 per cent, based on estimates of dividend growth this year, is a tempting carrot. That should limit the downside, even if index-linked gilt yields rise from here. The worry is that Ofwat has yet to wield its stick.

## ANGUS FRASER shooting for DUCKS



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**FT WEATHER GUIDE**

**Europe today**

Low pressure over central Europe will bring significant rainfall to parts of Germany, the Czech Republic, Hungary, and parts of the former Yugoslavia. Eastern Germany will have some downpours. Scotland, Wales and most of England will be cloudy with periods of rain and drizzle which will linger along a frontal system. The Alps will stay rather cold with scattered snow and rain showers. South of the Alps, it will be mainly sunny, except for some showers over southern Italy. The northern Mediterranean will be cool for the season, especially in France where there will be chilly Mistral winds. In contrast, warm air from the Sahara will drive temperatures up to 25C or more over south-east Europe.

**Five-day forecast**

Low pressure will still be generating extensive rainfall on Wednesday over Germany, central Europe and parts of southern Sweden. The low will move north on Thursday and dissipate slowly. Meanwhile, high pressure near Ireland will produce settled conditions over the British Isles and a large part of France. High pressure will remain over Ireland during the rest of the week. The western Mediterranean will stay mainly dry and settled.

**TODAY'S TEMPERATURES**

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	34	24	Cardiff	10	8	Caracas	30	24
Accra	31	24	Cebu	29	24	Frankfurt	10	8
Algiers	20	14	Dallas	24	18	Geneva	13	10
Amsterdam	13	10	Doha	32	24	Glasgow	12	10
Athens	26	18	Harbin	26	18	Hamburg	14	10
Atlanta	25	18	Helsinki	20	14	Manila	28	22
B. Aires	18	14	Hong Kong	25	18	Mexico City	26	18
B. Ham	10	8	London	12	10	Moscow	22	14
Bangkok	37	30	Luxembourg	12	10	Mumbai	32	24
Barcelona	17	14	Madrid	18	14	Nairobi	28	22
			Osaka	22	16	Rangoon	35	28
			Paris	15	12	Reykjavik	3	0
			Perth	18	14	Rome	14	10
			Prague	18	14	S. Francisco	18	14
			Seoul	20	14	Singapore	32	26
			Sydney	14	10	Stockholm	14	10
			Taipei	22	16	Sydney	14	10
			Tel Aviv	27	21	Tokyo	22	16
			Toronto	13	10	Vancouver	12	8
			Vancouver	12	8	Vladivostok	12	8
			Vladivostok	12	8	Warsaw	19	15
			Warsaw	19	15	Washington	18	14
			Washington	18	14	Wellington	19	15
			Wellington	19	15	Winnipeg	19	15
			Winnipeg	19	15	Zurich	8	4

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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